



As filed with the Securities and Exchange Commission on April 1, 2015

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14728

**LATAM Airlines Group S.A.**

(Exact name of registrant as specified in its charter)

LATAM Airlines Group S.A.  
(Translation of registrant's name into English)

Republic of Chile  
(Jurisdiction of incorporation or organization)

Presidente Riesco 5711, 20<sup>th</sup> Floor  
Las Condes  
Santiago, Chile  
(Address of principal executive offices)

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Las Condes  
Santiago, Chile



(Name, telephone, e-mail and/or facsimile number and address of company contact person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

Title of each class:

Name of each exchange on which registered:

**American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share of Common Stock, without par value**

**New York Stock Exchange**

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 545,558,101.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer  Accelerated filer  Non-Accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No



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## PRESENTATION OF INFORMATION

In this annual report on Form 20-F, unless the context otherwise requires, references to “LATAM Airlines Group” are to LATAM Airlines Group S.A., the unconsolidated operating entity, and references to “LATAM,” “we,” “us” or the “Company” are to LATAM Airlines Group S.A. and its consolidated subsidiaries: Transporte Aéreo S.A. (which does business under the name “LAN Express”), LAN Perú S.A. (“LAN Peru”), Aerolane, Líneas Aéreas Nacionales del Ecuador S.A. (“LAN Ecuador”), LAN Argentina S.A. (“LAN Argentina,” previously Aero 2000 S.A.), Aerovías de Integración Regional, Aires S.A. (which does business under the name “LAN Colombia”), TAM S.A. (“TAM”), LAN Cargo S.A. (“LAN Cargo”) and its respective regional affiliates: Aero Transportes Mas de Carga S.A. de C.V. (“MasAir”) in Mexico, Linea Aerea Carguera de Colombia S.A. (“LANCO”) in Colombia and Aerolinhas Brasileiras S.A. (which does business under the name of “TAM Cargo” and/or “ABSA”) in Brazil, as well as Multiplus S.A. (“Multiplus”). All references to “Chile” are references to the Republic of Chile.

On June 22, 2012, LATAM was formed following the completion of the business combination between LAN Airlines S.A. and its consolidated subsidiaries (“LAN”) with TAM S.A. and its consolidated subsidiaries (“TAM”). Following the combination, LAN Airlines S.A. became “LATAM Airlines Group S.A.” and TAM continues to exist as a subsidiary of Holdco I S.A. (“Holdco I”) and a subsidiary of LATAM Airlines Group. LATAM’s consolidated financial statements for the year ended December 31, 2012 include TAM’s financial results from June 23, 2012. As LATAM Airlines Group S.A. is the owner of substantially all the economic rights in TAM, TAM and its consolidated subsidiaries are for the purposes of this annual report and LATAM’s consolidated financial statements treated as being subsidiaries of LATAM Airlines Group S.A. See “Item 4. Information on the Company—A. History and Development of the Company—Combination of LAN and TAM.”

Throughout this annual report on Form 20-F we make numerous references to “LAN”. Some references to “LAN” are to LAN Airlines S.A., currently known as LATAM Airlines Group S.A. and its consolidated subsidiaries, in connection with circumstances and facts occurring prior to June 22, 2012. Other references to “LAN”, however, are to the LAN brand which was launched in 2004 and brings together, under one internationally recognized name, all of the affiliate brands such as LAN Chile, LAN Peru, LAN Argentina, LAN Colombia, LAN Ecuador and LAN Cargo.

In this annual report on Form 20-F, unless the context otherwise requires, references to “TAM” are to TAM S.A., and its consolidated subsidiaries, including TAM Linhas Aereas S.A., the operating entity, Multiplus S.A. (“Multiplus”), Pantanal Linhas Aéreas S.A. (“Pantanal”), Fidelidade Viagens e Turismo Limited (“TAM Viagens”), and Transportes Aéreos Del Mercosur S.A. (“TAM Mercosur”).

This annual report contains conversions of certain Chilean peso and Brazilian real amounts into U.S. dollars at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the Chilean peso and the Brazilian real amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless we specify otherwise, all references to “\$,” “US\$,” “U.S. dollars” or “dollars” are to United States dollars, references to “pesos,” “Chilean pesos” or “Ch\$” are to Chilean pesos. References to “reais,” “Brazilian reais,” or “R\$” are to Brazilian reais, and references to “UF” are to *Unidades de Fomento*, a daily indexed Chilean peso-denominated monetary unit that takes into account the effect of the Chilean inflation rate. Unless we indicate otherwise, the U.S. dollar equivalent for information in Chilean pesos is based on the “*dólar observado*” or “observed” exchange rate published by *Banco Central de Chile* (which we refer to as the Central Bank of Chile) on December 31, 2014, which was Ch\$607.38 = US\$1.00. The observed exchange rate on March 24, 2015, was Ch\$627.00 = US\$1.00. Unless we indicate otherwise, the U.S. dollar equivalent for information in Brazilian reais is based on the “*dólar observado*” or “observed” exchange rate published by Banco Central do Brasil (which we refer to as the Central Bank of Brazil) on December 31, 2014, which was R\$2.656 = US\$1.00. The observed exchange rate on March 24, 2015, was R\$3.130 = US\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos nor Brazilian reais. See “Item 3. Key Information—Selected Financial Data—Chilean Peso Exchange Rates” and “Item 3. Key Information—Selected Financial Data—Brazilian Exchange Rates.”

LATAM Airlines Group and the majority of our subsidiaries maintain their accounting records and prepare their financial statements in U.S. dollars. Some of our other subsidiaries, however, maintain their accounting records and prepare their financial statements in Chilean pesos, Argentinean pesos, Colombian pesos or Brazilian reais. In particular, TAM maintains its accounting records and prepares its financial statements in Brazilian reais. Our audited consolidated financial statements include the results of these subsidiaries translated into U.S. dollars. International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), require assets and liabilities to be translated at period-end exchange rates, while revenue and expense accounts are translated at each transaction date, although a monthly rate may also be used if exchange rates do not vary widely.

LATAM’s audited consolidated financial statements for the periods ended December 31, 2010, 2011, 2012, 2013 and 2014 were prepared in accordance with IFRS.



We have rounded percentages and certain U.S. dollar, Chilean peso and Brazilian reais amounts contained in this annual report for ease of presentation. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

This annual report contains certain terms that may be unfamiliar to some readers. You can find a glossary of these terms on page 4 of this annual report.

**FORWARD-LOOKING STATEMENTS**

This annual report contains forward-looking statements that may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” or other similar expressions. Forward-looking statements, including statements about our beliefs and expectations, are not statements of historical facts. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to:

- the factors described in “Item 3—Key Information—Risk Factors”;
- our ability to service our debt and fund our working capital requirements;
- future demand for passenger and cargo air service in Chile, Brazil other countries in Latin America and the rest of the world;
- the maintenance of relationships with customers;
- the state of the Chilean, Brazilian, Latin American and world economies and their impact on the airline industry;
- the effects of competition;
- future terrorist incidents or related activities affecting the airline industry;
- future outbreak of diseases, or spread of already existing diseases, affecting traveling behavior and/or exports;
- natural disasters affecting traveling behavior and/or exports;
- the relative value of the Chilean, Peruvian, Ecuadorian, Colombian, Brazilian, Mexican and Argentine currencies compared to other currencies;
- inflation;
- competitive pressures on pricing;
- our capital expenditure plans;
- changes in labor costs, maintenance costs, and insurance premiums;
- fluctuation of crude oil prices and its effect on fuel costs;
- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our growth strategy;
- increases in interest rates; and
- changes in regulations, including regulations related to access to routes in which we operate.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them, whether in light of new information, future events or otherwise. You should also read carefully the risk factors described in “Item 3. Key Information—Risk Factors.”

**GLOSSARY OF TERMS**

The following terms, as used in this annual report, have the meanings set forth below.

**Capacity Measurements:**

- |                                       |   |
|---------------------------------------|---|
| “available seat kilometers” or “ASKs” | The number of seats made available for sale multiplied by the kilometers flown.                                 |
| “available ton kilometers” or “ATKs”  | The number of tons available for the transportation of revenue load (cargo) multiplied by the kilometers flown. |



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“available seat kilometers equivalent” or “ASK equivalent”

The number of seats made available for sale plus the quotient of cargo ATKs divided by 0.095, all multiplied by the kilometers flown.

**Traffic Measurements:**

“revenue passenger kilometers” or “RPKs”

The number of passengers multiplied by the number of kilometers flown.

“revenue ton kilometers” or “RTKs”

The load (cargo) in tons multiplied by the kilometers flown.

“traffic revenue”

Revenue from passenger and cargo operations.

**Yield Measurements:**

“cargo yield”

Revenue from cargo operations divided by RTKs.

“overall yield”

Revenue from airline operations (passenger and cargo) divided by system RTKs (passenger and cargo).

“passenger yield”

Revenue from passenger operations divided by RPKs.

**Load Factors:**

“cargo load factor”

RTKs (cargo) expressed as a percentage of ATKs (cargo).

“passenger load factor”

RPKs expressed as a percentage of ASKs.

**Other:**

“ACMI leases”

A type of aircraft leasing contract, under which the lessor provides the aircraft, crew, maintenance and insurance on a per hour basis. Also referred to as a “wet lease.”

“Airbus A320-Family Aircraft”

The Airbus A318, Airbus A319, Airbus A320 and Airbus A321 models of aircraft.

“block hours”

The elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.

“m<sup>2</sup>”

square meters.

“ton”

A metric ton, equivalent to 2,204.6 pounds.

“utilization rates”

The actual number of flight hours per aircraft per operating day.

“operating expenses”

Operating expenses, which are calculated in accordance with IFRS, comprise the sum of the line items “cost of sales” plus “distribution costs” plus “administrative expenses” plus “other operating expenses”, as shown on our consolidated statement of comprehensive income. These operating expenses include: wages and benefits, fuel, depreciation and amortization, commissions to agents, aircraft rentals, other rental and landing fees, passenger services, aircraft maintenance, and other operating expenses.

“MiSchDynamicDT”

Market Intelligence Schedule Dynamic Table.

“Diiio Mi”

Data In Intelligence Out Market Intelligence.

**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data***LATAM's Historical Financial Information*

The summary consolidated annual financial information of LATAM as of December 31, 2014, 2013, 2012, 2011 and 2010 has been prepared in accordance with IFRS(\*). On June 22, 2012, LATAM Airlines Group was formed through the combination of LAN and TAM. Following the combination, LAN Airlines S.A. became "LATAM Airlines Group S.A." and TAM continues to exist as a subsidiary of Holdco I and a subsidiary of LATAM Airlines Group. Financial statements for LATAM fully consolidate TAM's results since June 23, 2012.

**LATAM's Annual Financial Information**

|   | Year ended December 31,                                     |                 |                |                |                |
|---|---|-----------------|----------------|----------------|----------------|
|   | 2014  | 2013            | 2012           | 2011           | 2010           |
|   | (in US\$ millions, except per share and capital stock data) |                 |                |                |                |
| <b>The Company<sup>(1)(2)</sup></b>                               |   |                 |                |                |                |
| <b>Statement of Income Data:</b>                                  |   |                 |                |                |                |
| Operating revenues  |   |                 |                |                |                |
| Passenger   | 10,380.1  | 11,061.6        | 7,966.8        | 4,008.9        | 3,109.8        |
| Cargo   | 1,713.4   | 1,863.0         | 1,743.5        | 1,576.5        | 1,280.7        |
| Total operating revenues  | <b>12,093.5</b>   | <b>12,924.5</b> | <b>9,710.4</b> | <b>5,585.4</b> | <b>4,390.5</b> |
| Cost of sales   | (9,624.5)   | (10,054.2)      | (7,634.5)      | (4,078.6)      | (3,012.7)      |
| Gross margin  | <b>2,469.0</b>  | <b>2,870.4</b>  | <b>2,075.9</b> | <b>1,506.8</b> | <b>1,377.8</b> |
| Other operating income <sup>(3)</sup>                             | 377.6   | 341.6           | 220.2          | 132.8          | 132.8          |
| Distribution costs  | (957.1)   | (1,025.9)       | (803.6)        | (479.8)        | (383.5)        |
| Administrative expenses   | (980.7)   | (1,136.1)       | (888.7)        | (405.7)        | (331.8)        |
| Other expenses  | (401.0)   | (408.7)         | (311.8)        | (214.4)        | (172.4)        |
| Other gains/(losses)  | 33.5  | (55.4)          | (45.8)         | (33.0)         | 5.4            |
| Financial income  | 90.5  | 72.8            | 77.5           | 14.5           | 14.9           |
| Financial costs   | (430.0)   | (462.5)         | (294.6)        | (139.1)        | (155.3)        |
| Equity accounted earnings   | (6.5)   | 2.0             | 1.0            | 0.5            | 0.1            |
| Exchange rate differences   | (130.2)   | (482.2)         | 66.7           | (0.3)          | 13.8           |
| Result of indexation units  | 0   | 0.2             | 0              | 0.1            | 0.1            |
| Income (loss) before income taxes                                 | 65.2  | (283.9)         | 96.7           | 382.4          | 502.0          |
| Income (loss) tax expense/benefit                                 | (292.4)   | 20.1            | (102.4)        | (61.8)         | (81.1)         |
| Net (loss) income for the period                                  | <b>(227.2)</b>  | <b>(263.8)</b>  | <b>(5.6)</b>   | <b>320.6</b>   | <b>420.9</b>   |
| Income (loss) attributable to the parent company's equity holders | (260.0)   | (281.1)         | 19.1           | 320.2          | 419.7          |
| Income (loss) attributable to non-controlling interests           | 32.8  | 17.3            | 13.4           | 0.4            | 1.2            |
| Net income (loss) for the year                                    | <b>(227.2)</b>  | <b>(263.8)</b>  | <b>(5.6)</b>   | <b>320.6</b>   | <b>420.9</b>   |
| <b>Earnings per share</b>   |   |                 |                |                |                |
| Average number of Shares  | 545,547,819   | 487,930,977     | 412,267,624    | 339,424,598    | 338,790,909    |
| Basic earnings (loss) per share (US\$)                            | (0.47656)   | (0.57613)       | (0.0463)       | 0.94335        | 1.23882        |
| Diluted earnings (loss) per share(US\$)                           | (0.47656)   | (0.57613)       | (0.0463)       | 0.9426         | 1.23534        |



|  | At December 31,   |                    |                    |                    |                    |
|--|---|--------------------|--------------------|--------------------|--------------------|
|  | 2014  | 2013               | 2012               | 2011               | 2010               |
|  | (in US\$ millions, except per share and capital stock data) |                    |                    |                    |                    |
| <b>Balance Sheet Data:</b>                                     |   |                    |                    |                    |                    |
| Cash, and cash equivalents                                     | 989.4   | 1,984.9            | 650.3              | 374.4              | 631.1              |
| Other current assets in operation                              | 2,644.1   | 2,992.2            | 2,626.2            | 964.3              | 896.5              |
| Non-current assets and disposal groups held for sale           | 1.1   | 2.4                | 47.7               | 4.7                | 5.5                |
| <b>Total current assets</b>                                    | <b>3,634.6</b>  | <b>4,979.5</b>     | <b>3,324.2</b>     | <b>1,343.4</b>     | <b>1,533.1</b>     |
| Property and equipment   | 10,773.1  | 10,982.8           | 11,807.1           | 5,928.0            | 4,948.4            |
| Other non-current assets                                       | 6,076.7   | 6,668.8            | 7,195.0            | 377.3              | 304.4              |
| <b>Total non-current assets</b>                                | <b>16,849.8</b>   | <b>17,651.6</b>    | <b>19,002.1</b>    | <b>6,305.3</b>     | <b>5,252.8</b>     |
| <b>Total assets</b>  | <b>20,484.4</b>   | <b>22,631.1</b>    | <b>22,326.3</b>    | <b>7,648.7</b>     | <b>6,785.9</b>     |
| Total current liabilities                                      | 5,829.7   | 6,509.1            | 6,297.5            | 2,322.1            | 2,144.0            |
| Total non-current liabilities                                  | 10,151.0  | 10,795.6           | 10,808.1           | 3,869.2            | 3,341.8            |
| <b>Total liabilities</b>                                       | <b>15,980.7</b>   | <b>17,304.7</b>    | <b>17,105.6</b>    | <b>6,191.3</b>     | <b>5,485.8</b>     |
| Issued Capital   | 2,545.7   | 2,389.4            | 1,501.0            | 473.9              | 453.4              |
| Net equity attributable to the parent company's equity holders | 4,401.9   | 5,238.8            | 5,112.1            | 1,445.3            | 1,296.8            |
| Non-controlling interest                                       | 101.8   | 87.6               | 108.6              | 12.0               | 3.2                |
| <b>Total net equity</b>  | <b>4,503.7</b>  | <b>5,326.5</b>     | <b>5,220.7</b>     | <b>1,457.4</b>     | <b>1,300.1</b>     |
| <b>Shares Outstanding</b>                                      | <b>545,558,101</b>  | <b>535,243,229</b> | <b>479,107,860</b> | <b>340,319,431</b> | <b>338,790,999</b> |

- (1) For more information on the subsidiaries included in this consolidated information, see Note 1 to our audited consolidated financial statements.
- (2) The addition of the items may differ from the total amount due to rounding.
- (3) Other operating income included in this Statement of Income Data is equivalent to the sum of income derived from Tours, Duty free, aircraft leasing, Maintenance, customs and warehousing operations, and other miscellaneous income, and for the years ended December 31, 2012, 2013 and 2014, For more information, see Note 27 to our audited consolidated financial statements.

(\*) In connection with the financial information as of December 31, 2014, Law No. 20,780 issued on September 29, 2014, introduced modifications to the income tax system in Chile and other tax matters. On October 17, 2014 the Chilean Superintendence of Securities and Insurance (the "SVS") issued Circular No. 856, which established that the effects of the change in the income tax rates on deferred tax assets and liabilities must be recognized directly within "Retained earnings" instead of the income statement as required by IAS 12. In order to comply with IAS 12, the financial statements for the period ended December 31, 2014 are different to those presented to the SVS as the aforementioned effect has been recognized within the income statement. For more information on the reconciliation of such differences see Note 2.1 and see Note 17 in our audited consolidated financial statements.

The table below presents unaudited operating data of LATAM as of and for the year ended December 31, 2010, 2011 (which represents LAN's historical unaudited operating data), as of and for the year ended December 31, 2012 (which includes TAM's unaudited operating data since June 23, 2012), and as of and for the years ended December 31, 2013 and December 31, 2014. LATAM believes this operating data is useful to report the operating performance of its business and may be used by certain investors in evaluating companies operating in the global air transportation sector. However these measures may differ from similarly titled measures reported by other companies, and should not be considered in isolation or as a substitute for measures of performance in accordance with IFRS. This unaudited operating data is not included in or derived from LATAM's financial statements.

| Operating Data:          | For the year ended and as of December 31, |           |           |           |          |
|--------------------------|---|-----------|-----------|-----------|----------|
|                          | 2014                                      | 2013      | 2012      | 2011      | 2010     |
| ASKs (million)           | 130,200.9                                 | 131,690.7 | 93,319.2  | 48,153.6  | 42,355.2 |
| RPKs (million)           | 108,534.0                                 | 106,466.4 | 74,694.9  | 38,422.9  | 33,147.5 |
| ATKs (million)           | 7,219.7                                   | 7,651.9   | 6,449.6   | 5,192.7   | 4,620.2  |
| RTKs (million)           | 4,317.2                                   | 4,466.7   | 4,044.5   | 3,612.4   | 3,238.8  |
| ASK Equivalent (million) | 206,197.9                                 | 212,236.8 | 161,209.3 | 102,813.6 | 90,988.9 |





**Dividend Policy**

In accordance with the *Ley sobre Sociedades Anónimas No. 18,046* (Chilean Corporation Act) and *Reglamento de Sociedades Anónimas* (Regulation to the Chilean Corporation Act) (collectively, the “Chilean Corporation Law”), we must pay annual cash dividends equal to at least 30.0% of our annual consolidated distributable net income each year (calculated in accordance with IFRS), subject to limited exceptions. LATAM Airlines Group’s board of directors has the authority to declare interim dividends. Year-end dividends, if any, are declared by our shareholders at our annual meeting. For a description of our dividend policy, see “Item 8. Financial Information—Consolidated Financial Statements and Other Financial Information—Dividend Policy” and “Item 10. Additional Information—Dividend and Liquidation Rights.” LATAM did not pay an interim dividend regarding periods 2013 and 2014

We declare cash dividends in U.S. dollars, but make dividend payments in Chilean pesos, converted from U.S. dollars at the observed exchange rate two days prior to the day we first make payment to shareholders. Payments of cash dividends to holders of ADRs, if any, are made in Chilean pesos to the custodian, which converts those Chilean pesos into U.S. dollars and delivers U.S. dollars to the depositary for distribution to holders. In the event that the custodian is unable to convert immediately the Chilean currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADRs may be adversely affected by a devaluation of the Chilean currency that may occur before such dividends are converted and remitted.

*LATAM’s Dividend Payments*

The table below sets forth the cash dividends per common share and per ADS paid by LATAM, as well as the number of common shares entitled to such dividends, for the years indicated. Dividends per common share amounts and reflect common share amounts outstanding immediately prior to the distribution of such dividend.

| <u>Dividend for year:</u> | <u>Payment date(s)</u> | <u>Total dividend payment</u><br><u>(U.S. dollars)</u> | <u>Number of common shares entitled to dividend</u><br><u>(in millions)</u> | <u>Cash dividend per common share</u><br><u>(U.S. dollars)</u> | <u>Cash dividend per ADS</u><br><u>(U.S. dollars)</u> |
|---------------------------|------------------------|--|---|--|---|
| 2010                      | August 19, 2010        | 74,466,242   | 338.79  | 0.21980  | 0.2198  |
|                           | January 13, 2011       | 125,000,294  | 338.79  | 0.36896  | 0.36896   |
| 2011                      | April 29, 2011         | 10,386,295   | 339.31  | 0.03061  | 0.03061   |
|                           | September 15, 2011     | 56,594,769   | 339.36  | 0.16677  | 0.16677   |
|                           | January 12, 2012       | 85,000,207   | 340.16  | 0.24988  | 0.24988   |
| 2012                      | May 17, 2012           | 18,461,735   | 341.00  | 0.05414  | 0.05414   |
|                           | May 17, 2013           | 3,288,125  | 483.55  | 0.00680  | 0.00680   |



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**Chilean Peso Exchange Rates**

The following table sets forth, for the periods indicated, the high, low, average and period-end observed exchange rate for the purchase of U.S. dollars, expressed in Chilean pesos per U.S. dollar. The rates have not been restated in constant currency units. On March 24<sup>th</sup>, 2015 the observed exchange rate was Ch\$ 627.00= US\$1.00.

| Year Ended December 31, | Daily Observed Exchange Rate |        |                        |            |
|-------------------------|------------------------------|--------|------------------------|------------|
|                         | High                         | Low    | Average <sup>(1)</sup> | Period-End |
|                         | Ch\$ per US\$                |        |                        |            |
| 2011                    | 533.74                       | 455.91 | 483.86                 | 521.46     |
| 2012                    | 519.69                       | 469.65 | 486.75                 | 478.60     |
| 2013                    | 533.95                       | 466.50 | 495.00                 | 523.76     |
| 2014                    | 621.41                       | 524.61 | 570.01                 | 607.38     |
| 2014                    |                              |        |                        |            |
| September               | 601.66                       | 585.29 | 593.47                 | 601.66     |
| October                 | 599.22                       | 576.65 | 589.98                 | 576.65     |
| November                | 600.37                       | 576.50 | 592.46                 | 598.94     |
| December                | 621.41                       | 605.46 | 612.92                 | 607.38     |
| 2015                    |                              |        |                        |            |
| January                 | 629.09                       | 606.75 | 620.91                 | 626.48     |
| February                | 632.62                       | 616.86 | 623.62                 | 617.67     |
| March <sup>(2)</sup>    | 642.18                       | 617.38 | 630.19                 | 627.00     |

Source: Central Bank of Chile

- (1) For each year, the average of the month-end exchange rates for the relevant year. For each month, the average daily exchange rate for the relevant month.
- (2) Through March 24, 2015.



**Brazilian Exchange Rates**

TAM maintains its accounting records and prepares its financial statements in Brazilian reais. The following tables set forth, for the periods indicated, the high, low, average and period-end observed exchange rate for the purchase of U.S. dollars, expressed in Brazilian reais per U.S. dollar. The rates have not been restated in constant currency units. On March 24<sup>th</sup>, 2015 the observed exchange rate was R\$3.1304 = US\$1.00.

| Year Ended December 31, | Daily Observed Exchange Rate |       |   |            |
|-------------------------|------------------------------|-------|---|------------|
|                         | High                         | Low   | Average <sup>(1)</sup><br>BR\$ per US\$ | Period-End |
| 2011                    | 1.901                        | 1.534 | 1.674                                   | 1.875      |
| 2012                    | 2.112                        | 1.702 | 1.954                                   | 2.043      |
| 2013                    | 2.445                        | 1.952 | 2.159                                   | 2.342      |
| 2014                    | 2.740                        | 2.197 | 2.354                                   | 2.656      |
| September               | 2.452                        | 2.231 | 2.332                                   | 2.451      |
| October                 | 2.534                        | 2.391 | 2.448                                   | 2.444      |
| November                | 2.613                        | 2.483 | 2.548                                   | 2.560      |
| December                | 2.740                        | 2.560 | 2.639                                   | 2.656      |
| 2015                    |                              |       |   |            |
| January                 | 2.710                        | 2.575 | 2.634                                   | 2.662      |
| February                | 2.881                        | 2.689 | 2.818                                   | 2.877      |
| March <sup>(2)</sup>    | 3.268                        | 2.865 | 3.119                                   | 3.1304     |

Source: Central Bank of Brazil

- (1) For each year, the average of the month-end exchange rates for the relevant year. For each month, the average daily exchange rate for the relevant month.
- (2) Through March 24, 2015.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

We wish to caution readers that the following important factors, and those important factors described in other reports submitted to, or filed with, the Securities and Exchange Commission (“SEC”) among other factors, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. In particular, as we are a non-U.S. company, there are risks associated with investing in our ADSs that are not typical for investments in the shares of U.S. companies. Prior to making an investment decision, you should carefully consider all of the information contained in this document, including the following risk factors.

**Risk Factors Relating to our Company**

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

Following the combination of LAN and TAM:

- Holdco I owns 100% of the TAM common shares previously outstanding;
- TAM Controlling Shareholders owns approximately 80.58% of the outstanding Holdco I voting shares through TEP Chile (a wholly owned Chilean entity) and LAN owns the remainder of the voting shares.



- LATAM owns 100% of the outstanding Holdco I non-voting shares, entitles it to substantially all of the economic rights in respect of the TAM common shares held by Holdco I; and
- LATAM owns 100% of the TAM preferred shares previously outstanding.

As a result of this ownership structure:

- TAM and each airline subsidiary of TAM, retain voting and board control of TAM and each airline subsidiary of TAM; and
- LATAM is entitled to all of the economic rights in TAM.

LATAM and TEP Chile and other parties have entered into shareholders' agreements that establish agreements and restrictions relating to corporate governance. Certain specified actions require supermajority approval, which in turn means they require the prior approval of both LATAM and TEP Chile. Examples of actions requiring supermajority approval by the board of directors of Holdco I or TAM include, among others, entering into acquisitions or business collaborations, amending or approving budgets, business plans, financial statements and accounting policies, incurring indebtedness, encumbering assets, entering into certain agreements, making certain investments, modifying rights or claims, entering into settlements, appointing executives, creating security interests, issuing, redeeming or repurchasing securities and voting on matters as a shareholder of subsidiaries of TAM. Actions requiring supermajority shareholder approval of Holdco I or TAM include, among others, certain changes to the by-laws of Holdco I, TAM or TAM's subsidiaries or any dissolution/liquidation, corporate reorganization, payment of dividends, issuance of securities, disposal or encumbrance of certain assets, creation of security interests or entering into guarantees and agreements with related parties. For more information on the shareholders' agreements, see "Item 7. Controlling Shareholders and Related Party Transactions—Shareholders' Agreements."

*LATAM assets include a significant amount of goodwill.*

The assets of the LATAM Airlines Group included US\$3,313.4 million of goodwill as of December 31, 2014, US\$3,168.7 million of which results from the combination with TAM. Under IFRS, goodwill is subject to an annual impairment test and may be required to be tested more frequently if events or circumstances indicate a potential impairment. Any impairment could result in the recognition of a significant charge to earnings in LATAM's statement of income, which could materially and adversely impact our consolidated results for the period in which the impairment occurs.

*A failure to successfully implement LATAM'S strategy would harm its business and the market value of its ADSs and common shares.*

LATAM has developed a new strategic plan with the goal of becoming one of the best group of airlines in the world and renewing our commitment to sustained profitability and superior returns to shareholders. We based our strategic plan on five central factors: Customer Experience, Network, Efficiency and Cost Reduction, Organization Strength and Proactive Risk Management. Our new strategy requires us to identify value propositions that are attractive to our clients, to find efficiencies in our daily operations, and to transform ourselves into a stronger and more risk resilient company. Our strategic plan also anticipates strengthening our network and requires us to identify cities with adequate infrastructure and sufficient demand. There can be no assurances, however, that we will be able to correctly identify cities and regions in which to expand our operations, or that we will be able to attract sufficient passengers and cargo traffic to make our operations profitable. Difficulties in implementing our strategy and expanding our operations may adversely affect our business, results of operation and the market value of our ADSs and common shares.

*A failure to successfully implement the new single brand may adversely affect LATAM business and the market value of its ADSs and common shares.*

Since the combination, LAN and TAM have continued to operate with their original brands. LATAM Airlines Group has begun the transition of LAN and TAM into a single brand by gradually harmonizing the product and services offered by both airlines, although the launch date for the new brand has not yet been determined. LAN and TAM currently have different value propositions, and there can be no assurances that we will be able to fully transfer the value of the original LAN and TAM brands to the new single brand. Difficulties in implementing our single brand may prevent us from consolidating as a customer preferred carrier and may adversely affect our business and results of operations and the market value of our ADSs and common shares.



*It may take time to combine the frequent flyer programs of LAN and TAM*

LAN and TAM each previously ran their own frequent flyer programs. While LATAM has integrated these programs so that passengers can use frequent flyer miles earned with either LAN or TAM interchangeably, there is no guarantee that the full integration will be completed in the near term or at all. Even if the integration occurs, the successful integration of these programs will involve some time and expense. Until LATAM effectively combines these programs, passengers may prefer frequent flyer programs offered by other airlines, which may adversely affect our business.

*The financial results of LATAM are exposed to foreign currency fluctuations.*

LATAM prepares and presents its consolidated financial statements in U.S. dollars. Because of LATAM's presence in several Latin American markets, a portion of its consolidated net assets, revenues and income is denominated in non-U.S. dollar currencies, primarily Chilean pesos and Brazilian reais. In particular, the majority of TAM's revenues are denominated in Brazilian reais, while a significant portion of its operating expenses are denominated in, or linked to, the U.S. dollar or other foreign currencies. The consolidated financial condition and results of operations of LATAM is therefore sensitive to movements in exchange rates between the U.S. dollar and other currencies. A depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on the financial condition, results of operations and prospects of LATAM.

*LATAM'S depend on strategic alliances or commercial relationships in many of the countries in which it operates and its business may suffer if any of its strategic alliances or commercial relationships terminates.*

In many of the jurisdictions in which we operate, we have found it in our interest to maintain a number of alliances and other commercial relationships. These alliances or commercial relationships allow us to enhance our network and, in some cases, to offer our customers services that we could not otherwise offer. If any of our strategic alliances or commercial relationships and, in particular, with American Airlines, Iberia, Qantas or oneworld®, Japan Airlines, Korean Airlines, Cathay Pacific, Alaska Airlines deteriorates, or any of these agreements are terminated, our business, financial condition and results of operations could be negatively affected.

*LATAM'S business and results of operation may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits.*

LATAM'S business depends upon our access to key routes and airports. Our operations could be constrained by any delay or inability to gain access to key routes or airports, including:

- limitations on our ability to process more passengers;
- the imposition of flight capacity restrictions;
- the inability to secure or maintain route rights in local markets or under bilateral agreements; or
- the inability to maintain our existing slots and obtain additional slots.

LATAM operates numerous international routes, subject to bilateral agreements, and also internal flights within Chile, Peru, Brazil, Argentina, Ecuador, Colombia and other countries, subject to local route and airport access approvals. Bilateral aviation agreements as well as local aviation approvals frequently involve political and other considerations outside of our control. See "Item 4. Information on the Company—Business Overview—Regulation."

There can be no assurance that existing bilateral agreements between the countries in which our companies are based and permits from foreign governments will continue. A modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permission to operate in certain airports, destinations or slots or the imposition of other sanctions could also have a material adverse effect. A change in the administration of current laws and regulations or the adoption of new laws and regulations in any of the countries in which we operate that restricts our route, airport or other access may have a material adverse effect on our business, financial condition and results of operations.

*A significant portion of our cargo revenues come from relatively few product types and may be impacted by events affecting their production or trade.*

Our cargo demand, especially from Latin American exporters, is concentrated in a small number of product categories, such as exports of fish, sea products and fruits from Chile and asparagus from Peru, and exports of fresh flowers from Ecuador and Colombia. Events that negatively affect the production or trade of these goods may adversely affect the volume of goods that we transport and may have a significant impact on our results of operations. Some of our cargo products are sensitive to foreign exchange rates and, therefore, traffic volumes could be impacted by the appreciation or depreciation of local currencies.



*Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively impact our business.*

Higher jet fuel prices or a shortage in the supply of fuel could cause a reduction in our scheduled service and could have a materially negative effect on our business, financial condition and results of operations. Jet fuel costs have historically accounted for a significant amount of our operating expenses, and accounted for approximately 35% of our operating expenses in 2014. Both the cost and availability of fuel are subject to many economic and political factors and events that we can neither control nor predict. We have entered into fuel hedging arrangements, but there can be no assurance that such arrangements will be adequate to protect us from a significant increase in fuel prices in the near future or in the long term. Also, while these hedging arrangements are designed to limit the effect of an increase in fuel prices, some of our hedging methods may also limit our ability to take advantage of any decrease in fuel prices as was the case during the second half of 2014. Although we have implemented measures to pass a portion of incremental fuel costs to our customers, our ability to lessen the impact of any increase using these types of mechanisms may be limited.

*We rely on maintaining a high daily aircraft utilization rate to increase our revenues, which makes us especially vulnerable to delays.*

One of the key elements of our business strategy is to maintain a high daily aircraft utilization rate, which measures the number of flight hours we use our aircraft per day. High daily aircraft utilization allows us to maximize the amount of revenue we generate from our aircraft and is achieved, in part, by reducing turnaround times at airports and developing schedules that enable us to increase the average hours flown per day. Our rate of aircraft utilization could be adversely affected by a number of different factors that are beyond our control, including air traffic and airport congestion, adverse weather conditions and delays by third-party service providers relating to matters such as fueling and ground handling. If an aircraft falls behind schedule, the resulting delays could cause a disruption in our operating performance.

*We fly and depend upon Airbus and Boeing aircraft, and our business could suffer if we do not receive timely deliveries of aircraft, if aircraft from these companies becomes unavailable or if the public negatively perceives our aircraft.*

As our fleet has grown, our reliance on Airbus and Boeing has also grown. As of December 31, 2014, we operated a fleet of 247 Airbus, 73 Boeing and 7 Dash aircraft. Risks relating to Airbus and Boeing include:

- our failure or inability to obtain Airbus or Boeing aircraft, parts or related support services on a timely basis because of high demand or other factors;
- the interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for these aircraft;
- the issuance by Chilean or other aviation authorities of other directives restricting or prohibiting the use of Airbus or Boeing aircraft, or requiring time-consuming inspections and maintenance;
- the adverse public perception of a manufacturer as a result of an accident or other negative publicity; or
- delays between the time we realize the need for new aircraft and the time it takes us to arrange for Airbus and Boeing or from a third-party provider to deliver this aircraft.

The occurrence of any one or more of these factors could restrict our ability to use aircraft to generate profits, respond to increased demands, or could otherwise limit our operations and adversely affect our business.

*Any delays Airbus A350 aircraft could disrupt our fleet plan.*

During 2015 LATAM Airlines expects to receive its first Airbus A350 aircraft out of an order of 27 aircraft of this model, becoming the first airline in Latin America to operate this modern new technology aircraft. Any delays in the reception of the aircraft or unanticipated operational issues with this new aircraft model could adversely affect our fleet plan.

*If we are unable to incorporate leased aircraft into our fleet at acceptable rates and terms in the future, our business could be adversely affected.*

A large portion of our aircraft is subject to long-term operating leases. Our operating leases typically run from three to twelve years from the date of delivery. We may face more competition for, or a limited supply of, leased aircraft, making it difficult for us to negotiate on competitive terms upon expiration of our current operating leases or to lease additional capacity required for our targeted level of operations. If we are forced to pay higher lease rates in the future to maintain our capacity and the number of aircraft in our fleet, our profitability could be adversely affected.

*Our business may be adversely affected if we are unable to meet our significant future financing requirements.*

We require significant amounts of financing to meet our aircraft capital requirements and may require additional financing to fund our other business needs. We cannot guarantee that we will have access to or be able to arrange for financing in the future on favorable terms. Following the combination of LAN and TAM, Fitch Ratings Inc. and Standard and Poor's downgraded LATAM Airline Group S.A.'s credit rating to levels that are below investment grade. These downgrades and any further securities rating



agencies downgrades could increase LATAM's financing costs. If we are unable to obtain financing for a significant portion of our capital requirements, our ability to acquire new aircraft or to expand operations could be impaired and our business negatively affected.

*Our business may be adversely affected by our high degree of debt and aircraft lease obligations compared to our equity capital.*

We have a high degree of debt and payment obligations under our aircraft operating leases compared to equity capital. In order to finance our debt, we depend in part on our cash flow from operations. We cannot assure you that in the future we will be able to meet our payment obligations. In addition, the majority of our property and equipment is subject to liens securing our indebtedness. In the event that we fail to make payments on the secured indebtedness, creditors' enforcement of liens could limit or end our ability to use the affected property and equipment to fulfill our operational needs and thus generate revenue.

*Variations in interest rates may have adverse effects on our interest payments business, financial condition, results of operations and prospects and the trading price of our ADRs and BDRs and preferred shares.*

We are exposed to the risk of interest rate variations, principally in relation to the U.S. dollar London Interbank Offer Rate ("LIBOR"). Many of our operating and financial leases are denominated in U.S. dollars and bear interest at a floating rate. Approximately 38% of LATAM's outstanding consolidated debt as of December 31, 2014 bears interest at a floating rate. After giving effect to interest rate hedging agreements, approximately 32% of LATAM's outstanding consolidated debt is exposed to floating rates.

Volatility in LIBOR or the TJLP could increase our periodic interest and lease payments and have an adverse effect on our total financing costs. We may be unable to adequately adjust our prices to offset any increased financing costs, which would have an adverse effect on our revenues and our results of operations.

*Increases in insurance costs and/or significant reductions in coverage could harm our financial condition and results of operations.*

Major events affecting the aviation insurance industry (such as terrorist attacks, hijackings or airline crashes) may result in significant increases of the airlines' insurance premium or in significant decreases of insurance coverage, as occurred after the September 11, 2001 terrorist attacks. Increases in insurance costs and/or significant reductions in coverage could harm our financial condition and results of operations and increases the risk that we experience uncovered losses.

*Problems with air traffic control systems or other technical failures could interrupt our operations and have a material adverse effect on our business.*

Our operations, including our ability to deliver customer service, are dependent on the effective operation of our equipment, including our aircraft, maintenance systems and reservation systems. Our operations are also dependent on the effective operation of domestic and international air traffic control systems and the air traffic control infrastructure in the markets in which we operate. Equipment failures, personnel shortages, air traffic control problems and other factors that could interrupt operations could adversely affect our operations and financial results as well as our reputation.

*Our business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in our relationships with these providers or their provision of services to us, could have an adverse effect on our financial position and results of operations.*

We have engaged an increasing number of third-party service providers to perform a large number of functions that are integral to our business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of information technology infrastructure and services, provision of aircraft maintenance and repairs, provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. We do not directly control these third-party service providers, although we do enter into agreements with many of them that define expected service performance. Any of these third-party service providers, however, may materially fail to meet their service performance commitments, may suffer disruptions to their systems that could impact their services, or the agreements with such providers may be terminated. For example, flight reservations booked by customers and/or travel agencies via third-party GDSs may be adversely affected by disruptions in our business relationships with GDS operators. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or otherwise become subject to renegotiation, may cause the carriers' flight information to be limited or unavailable for display, significantly increase fees for both us and GDS users, and impair our relationships with customers and travel agencies. The failure of any of our third-party service providers to adequately perform their service obligations, or other interruptions of services, may reduce our revenues and increase our expenses or prevent us from operating our flights and providing other services to our customers. In addition, our business, financial performance and reputation could be materially harmed if our customers believe that our services are unreliable or unsatisfactory.



*Disruptions or security breaches of our information technology infrastructure could interfere with our operations, compromise passenger or employee information and expose us to liability, possibly causing our business and reputation to suffer.*

A serious internal technology error or failure impacting systems hosted internally at our data centers or externally at third-party locations, or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Our technology systems and related data may also be vulnerable to a variety of sources of interruption, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial and reputational consequences to our business.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our passengers and employees and information of our business partners. The secure operation of the networks and systems on which this type of information is stored, processed and maintained is critical to our business operations and strategy. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. Hardware or software we develop or acquire may contain defects that could unexpectedly compromise information security. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business.

*Our financial success depends on the availability and performance of key personnel, who are not subject to non-competition restrictions.*

Our success depends to a significant extent on the ability of our senior management team and key personnel to operate and manage our business effectively. Our employment agreements with key personnel do not contain any non-competition provisions applicable upon termination. If we lose any executive officer, senior manager or other key employee and are not able to obtain an adequate replacement, or if we are unable to attract and retain new qualified personnel, our business, financial condition and results of operations could be materially adversely affected.

*Our business may experience adverse consequences if we are unable to reach satisfactory collective bargaining agreements with our unionized employees.*

As of December 31, 2014 approximately 67% of LATAM's employees, including administrative personnel, cabin crews, flight attendants, pilots and maintenance technicians are members of unions and have contracts and collective bargaining agreements which expire on a regular basis. Our business, financial condition and results of operations could be materially adversely affected by a failure to reach agreement with any labor union representing such employees or by an agreement with a labor union that contains terms that are not in line with our expectations or that prevent us from competing effectively with other airlines.

*Collective action by employees could cause operating disruptions and negatively impact our business.*

Certain employee groups such as pilots, flight attendants, mechanics and our airport personnel have highly specialized skills. As a consequence, actions by these groups, such as strikes, walk-outs or stoppages, could severely disrupt our operations and negatively impact our operating and financial performance, as well as our image.

*Increases in our labor costs, which constitute a substantial portion of our total operating expenses, could directly impact our earnings.*

Labor costs constitute a significant percentage of our total operating expenses (20% in 2014) and at times in our operating history we have experienced pressure to increase wages and benefits for our employees. A significant increase in our labor costs above the assumed costs could result in a material reduction in our earnings.

*We may experience difficulty finding, training and retaining employees.*

Our business is labor intensive. We employ a large number of pilots, flight attendants, maintenance technicians and other operating and administrative personnel. The airline industry has, from time to time, experienced a shortage of qualified personnel, specifically pilots and maintenance technicians. In addition, as is common with most of our competitors, we may, from time to time, face considerable turnover of our employees. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, our training costs will be significantly higher. A failure to recruit, train and retain qualified employees at a reasonable cost could materially adversely affect our business, financial condition and results of operations.





## Risks Related the Airline Industry

*Our performance is heavily dependent on economic conditions in the countries in which we do business and negative economic conditions in those countries could have an adverse impact on our business.*

Passenger and cargo demand is heavily cyclical and highly dependent on global and local economic growth, economic expectations and foreign exchange rate variations, among other things. Our business has been negatively affected by global economic recessionary conditions, weak economic growth in Chile, in Brazil, recession in Argentina and poor economic performance in certain emerging market countries in which we operate. The occurrence of similar events in the future could adversely affect our business. We will continue to work on operations based in Latin America and our performance will, therefore, continue to depend heavily on economic conditions in the region. Any of the following factors could adversely affect our business, financial condition and results of operations in the countries in which we operate:

- changes in economic or other governmental policies;
- weak economic performance, including, but not limited to, low economic growth, low consumption and/or investment rates, and increased inflation rates; or
- other political or economic developments over which we have no control.

No assurance can be given that capacity reductions or other steps we may take in response to weakened demand will be adequate to offset any future reduction in our cargo and/or air travel demand. Sustained weakened demand may adversely impact our revenues, results of operations or financial condition.

*Our business is highly regulated and changes in the regulatory environment in which we operate may adversely affect our business and results of operations.*

Our business is highly regulated and depends substantially upon the regulatory environment in the countries in which we operate or intend to operate. For example, price controls on fares may limit our ability to effectively apply customer segmentation profit maximization techniques (“passenger revenue management”) and adjust prices to reflect cost pressures. High levels of government regulation may limit the scope of our operations and our growth plans, and the possible failure of aviation authorities to maintain the required governmental authorizations or our failure to comply with applicable regulations, may adversely affect our business and results of operations.

*Losses and liabilities in the event of an accident involving one or more of our aircraft could materially affect our business.*

We are exposed to potential catastrophic losses in the event of an aircraft accident, terrorist incident or any other similar event. There can be no assurance that, as a result of an aircraft accident or significant incident:

- we will not need to increase our insurance coverage;
- our insurance premiums will not increase significantly;
- our insurance coverage will fully cover all of our liability; or
- we will not be forced to bear substantial losses.

Substantial claims resulting from an accident or significant incident in excess of our related insurance coverage could have a material adverse effect on our business, financial condition and results of operations. Moreover, any aircraft accident, even if fully insured, could cause the negative public perception that our aircraft are less safe or reliable than those operated by other airlines, which could have a material adverse effect on our business, financial condition and results of operations.

Insurance premiums may also increase due to an accident or incident affecting one of our alliance partners or other airlines.

*High levels of competition in the airline industry may adversely affect our level of operations.*

Our business, financial condition and results of operations could be adversely affected by high levels of competition within the industry, particularly the entrance of new competitors into the markets in which we operate. Airlines compete primarily over fare levels, frequency and dependability of service, brand recognition, passenger amenities (such as frequent flyer programs) and the availability and convenience of other passenger or cargo services. New and existing airlines (and companies providing ground cargo transportation) could enter our markets and compete with us on any of these bases, including by offering lower prices, more attractive services or increasing their route capacities in an effort to gain greater market share.



*Chile has opened its domestic aviation industry to foreign airlines without restrictions, which may change the competitive landscape of the domestic Chilean aviation sector and affect our business and results of operations.*

Since November 2013, Chilean laws and regulations have permitted foreign airlines to operate domestic flights in Chile without necessarily setting up a Chilean subsidiary first.

The Chilean Domestic Unilateral Open Skies Rule may change the competitive landscape of the Domestic Chilean Aviation Sector, as it will be easier for foreign companies in the future to freely operate in the Chilean territory, which may subject us to further competition. Competition from international carriers in the Chilean market may affect the competitive dynamics of our industry by reducing our passenger traffic and cargo demands, forcing us to reduce our fare levels, which could have a material adverse effect on our revenues and level of operations.



*The reallocation of any of our slots to other market participants could adversely affect our operations.*

The Brazilian government has proposed and in some cases already implemented, regulations to reallocate existing takeoff and landing slots at major airports in Brazil from TAM and our competitor, GOL, to smaller airlines and new market entrants, in order to stimulate small airline access to airport infrastructure. In the case of the Congonhas airport in Sao Paulo, slots were increased in October 2014 and given to new entrants (Azul and Avianca Brazil); and in a second stage slots could be reallocated, if current operators don't comply with measures regarding on-time performance and regularity of service. We rely on access to takeoff and landing slots at Congonhas airport and other airports throughout Brazil, to conduct our Brazilian passenger operations. The reallocation of any of our slots to other market participants could adversely affect our operations.

*Some of our competitors may receive external support which could negatively impact our competitive position.*

Some of our competitors may receive support from external sources, such as their national governments, which may be unavailable to us. Support may include, among others, subsidies, financial aid or tax waivers. This support could place us at a competitive disadvantage and adversely affect our operations and financial performance.

*The regulatory structure of Brazilian civil aviation is undergoing change and we have not yet been able to evaluate the results of this change on our business and results of operations.*

Scheduled air transportation services are considered public utilities in Brazil and are subject to extensive regulation by the Brazilian government. Over recent years, the Brazilian regulatory authorities have taken a more proactive role in monitoring the development of the Brazilian civil aviation market. For example, in an effort to prevent excess supply, the authorities have established rigorous criteria for air transport companies to follow when creating new routes or increasing flight frequencies.

Operation of air transportation services, as well as airport infrastructure, is an exclusive right of the Brazilian government, which may choose to provide these services directly or through third parties by means of concessions or permits. TAM's concession to operate public air transportation was first obtained on December 9, 1996, and is valid until December 9, 2021. We cannot assure you that we will be able to automatically renew TAM's concession when it expires. See "Item 4. Information on the Company—Business Overview—Regulation—Brazil—Aeronautical Regulation."

Additionally, our capacity to grow our Brazilian operations is dependent on receiving the necessary authorizations from ANAC and the Bureau of International Relations (Superintendência de Relações Internacionais, or "SRI"). We cannot assure you that we will obtain all necessary authorizations in the future and any failure to do so would require us to re-evaluate our strategies.

*Our operations are subject to local, national and international environmental regulations; costs of compliance with applicable regulations, or the consequences of noncompliance, could adversely affect our results, our business or our reputation.*

Our operations are covered by environmental regulations at local, national and international levels. These regulations cover, among other things, emissions to the atmosphere, disposal of solid waste and aqueous effluents, aircraft noise and other activities incident to our business. Future operations and financial results may vary as a result of such regulations. Compliance with these regulations and new or existing regulations that may be applicable to us in the future could increase our cost base and adversely affect our operations and financial results. In addition, failure to comply with these regulations could adversely affect us in a variety of ways, including adverse effects on our reputation.

The European Union ("EU") had proposed a directive under which the existing emissions trading scheme (the "ETS") in each EU member state was to be extended to all airlines. This directive would require us to submit annual emission allowances in order to operate routes to and from EU member states. As of the date of this Annual Report, this proposal has been postponed for evaluation in 2016 and the directive affects only intra-European flights (which are not material to LATAM's operation but there is a possibility that the directive could be extended to all flights in the future. Currently, we operate 6 routes to and from Europe, and service additional destinations through our code-share agreements. Although it is uncertain if this directive will be approved in 2016, it is increasingly likely that we will be required to participate in some form of an international aircraft emissions program in the future, which may involve significant costs. *Our business may be adversely affected by a downturn in the airline industry caused by exogenous events that affect travel behavior or increase costs, such as outbreak of disease, weather conditions and natural disasters, war or terrorist attacks.*

Demand for air transportation may be adversely impacted by exogenous events, such as adverse weather conditions and natural disasters, epidemics (such as Ebola), terrorist attacks, war or political and social instability. Situations such as these in one or more of the markets in which we operate could have a material impact on our business, financial condition and results of operations. Furthermore, these types of situations could have a prolonged effect on air transportation demand and on certain cost items.



Revenues for airlines depend on the number of passengers carried, the fare paid by each passenger and service factors, such as the timeliness of flight departures and arrivals. During periods of fog, ice, low temperatures, storms or other adverse weather conditions, some or all of our flights may be cancelled or significantly delayed, reducing our revenues. In addition, fuel prices and supplies, which constitute a significant cost for us, may increase as a result of any future terrorist attacks, a general increase in hostilities or a reduction in output of fuel, voluntary or otherwise, by oil-producing countries. Such increases may result in both higher airline ticket prices and decreased demand for air travel generally, which could have an adverse effect on our revenues and results of operations.

*Developments in Latin American countries and other emerging market countries may adversely affect the Chilean and Brazilian economies, negatively impact our business and results of operations and cause the market price of our common shares and ADSs to decrease.*

We conduct a significant portion of our operations in emerging market countries, particularly in Latin America. As a result, economic and political developments in these countries, including future economic crises and political instability, could impact the Chilean or Brazilian economies and have a material adverse effect on our business, financial condition and results of operations and the market value of our securities. Although economic conditions in other emerging market countries may differ significantly from economic conditions in Chile and Brazil, we cannot assure that events in other countries, particularly other emerging market countries, will not adversely affect the market value of, or market for, our common shares or ADSs.

*Changes in the Chilean corporate tax rate or tax regime could adversely affect our financial results.*

On October 2014, President Bachelet's government approved a gradual increase in the Chilean corporate tax, from 20% to 25% or 27% (depending on the tax system chosen by the Chilean corporate tax payer) from 2014 to 2018. This increase, affected the tax provision for Chilean companies, including LATAM whose corporate tax rate will increase to 27%, and has required adjustments in deferred taxes to reflect the higher tax rate. Currently LATAM has losses resulting from its investment plan, but if LATAM records net income and no longer has tax losses available, our effective tax rate could increase and our net income could decrease. For more information on taxation see Note 17 in our audited consolidated financial statements

*Fluctuations in the value of the Brazilian real, Chilean peso and other currencies in the countries in which we operate may adversely affect our revenues and profitability.*

We operate in numerous countries and face the risk of variation in foreign currency exchange rates against the U.S. dollar or between the currencies of these various countries. Changes in the exchange rate between the U.S. dollar and the currencies in the countries in which we operate could adversely affect our business, financial condition and results of operations. Approximately 97% of our indebtedness at December 31, 2014 was denominated in U.S. dollars, and we are expecting that 42% of our revenues and 35% of our operating expenses in 2015 are denominated in currencies other than the U.S. dollar, mainly the Brazilian real and the Chilean peso. If the value of the Brazilian real, Chilean peso or other currencies, in which revenues are denominated, declines against the U.S. dollar, we will need a greater amount of these currencies to repay the same amount of U.S. dollars. The Brazilian Real and the Chilean peso, respectively, experienced average nominal depreciations against the U.S. dollar of 16.7% and 0.7% in 2012, 10.5% and 1.8% in 2013 and 9.1% and 15.2% in 2014. The exchange rate of the Chilean peso, Brazilian real and other currencies against the U.S. dollar may fluctuate significantly in the future.

Changes in Chilean, Brazilian and other governmental economic policies affecting foreign exchange rates could also adversely affect our business, financial condition, results of operations and the return to our shareholders on their common shares or ADSs. Exchange controls in Venezuela delay our ability to repatriate cash generated from operations in Venezuela. They also increase our exposure to exchange rate losses due to potential devaluations of the Venezuelan bolivar vis à vis the U.S. dollar during the period of time between the time we are paid in Venezuelan bolivares and the time we are able to repatriate such revenues in U.S. dollars. During 2014, the company modified the exchange rate used in determining equivalence of United States Dollar in cash and cash equivalents held in strong Bolivar, from 6.3 VEF/US\$ to 12.0 VEF/US\$, which represented a loss by foreign exchange of US\$61 million on our results.

*The Brazilian government has exercised, and may continue to exercise, significant influence over the Brazilian economy, which may have an adverse impact on our business, financial condition and results of operations.*

The Brazilian economy has been characterized by the significant involvement of the Brazilian government, which often changes monetary, credit, fiscal and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and implement other policies have involved wage and price controls, depreciation of the real, controls over remittance of funds abroad, intervention by the Central Bank to affect base interest rates and other measures. We have no control over, and cannot predict what measures or policies the Brazilian government may take in the future.



*We are not required to disclose as much information to investors as a U.S. issuer is required to disclose and, as a result, you may receive less information about us than you would receive from a comparable U.S. company.*

The corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. company and, as a result, you may receive less information about us than you would receive from a comparable U.S. company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The disclosure requirements applicable to foreign issuers under the Exchange Act are more limited than the disclosure requirements applicable to U.S. issuers. Publicly available information about issuers of securities listed on Chilean or Brazilian stock exchanges also provides less detail in certain respects than the information regularly published by listed companies in the United States or in certain other countries. Furthermore, there is a lower level of regulation of the Chilean and Brazilian securities markets and of the activities of investors in such markets as compared with the level of regulation of the securities markets in the United States and in certain other developed countries.

### **Risks Related to our Common Shares and ADSs**

*Our controlling shareholders may have interests that differ from those of our other shareholders.*

We have two groups of major shareholders—the Cueto Group (the “LATAM Controlling Shareholders”) and the Amaro Group (the “TAM Controlling Shareholders”). As of January 31, 2015, the LATAM Controlling Shareholders, in the aggregate, beneficially owned 25.5% of our voting common shares, and the TAM Controlling Shareholders, in the aggregate, beneficially owned 12.0% of our voting common shares. The LATAM Controlling Shareholders are in a position to elect three of the nine members of our board of directors and are in a position to direct our management. In addition, the LATAM Controlling Shareholders have entered into a shareholders agreement with the TAM Controlling Shareholders, pursuant to which these controlling shareholders have agreed to vote together to elect individuals that the TAM Controlling Shareholders nominate to our board of directors. See “Item 7. Controlling Shareholders and Related Party Transactions—Major Shareholders.”

Under the terms of the deposit agreement governing the ADSs, if holders of ADSs do not provide JP Morgan Chase Bank, N.A., in its capacity as depository for the ADSs, with timely instructions on the voting of the common shares underlying their ADRs, the depository will be deemed to have been instructed to give a person designated by the board of directors the discretionary right to vote those common shares. The person designated by the board of directors to exercise this discretionary voting right may have interests that are aligned with our controlling shareholders, which may differ from those of our other shareholders. Historically, our board of directors has designated its chairman, who currently is Mauricio Amaro, to serve in this role.

*Trading of our ADSs and common shares in the securities markets is limited and could experience further illiquidity and price volatility.*

Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. In addition, Chilean securities markets may be materially affected by developments in other emerging markets, particularly other countries in Latin America. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depository at any time, your ability to sell the common shares underlying ADSs in the amount and at the price and time of your choice may be substantially limited. This limited trading market may also increase the price volatility of the ADSs or the common shares underlying the ADSs.

*Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations.*

If the Chilean peso exchange rate falls relative to the U.S. dollar, the value of the ADSs and any distributions made thereon from the depository could be adversely affected. Cash distributions made in respect of the ADSs are received by the depository (represented by the custodian bank in Chile) in pesos, converted by the custodian bank into U.S. dollars at the then prevailing exchange rate and distributed by the depository to the holders of the ADRs evidencing those ADSs. In addition, the depository will incur foreign currency conversion costs (to be borne by the holders of the ADRs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the ADSs.

*Future changes in Chilean foreign investment controls and withholding taxes could negatively affect non-Chilean residents that invest in our shares.*

Equity investments in Chile by non-Chilean residents have been subject in the past to various exchange control regulations that govern investment repatriation and earnings thereon. Although not currently in effect, regulations of the Central Bank of Chile have in the past required, and could again require, foreign investors acquiring securities in the secondary market in Chile to maintain a cash reserve or to pay a fee upon conversion of foreign currency to purchase such securities. Furthermore, future changes in withholding taxes could negatively affect non-Chilean residents that invest in our shares.

We cannot assure you that additional Chilean restrictions applicable to the holders of ADRs, the disposition of the common shares underlying ADSs or the repatriation of the proceeds from an acquisition, a disposition or a dividend payment, will not be



imposed or required in the future, nor could we make an assessment as to the duration or impact, were any such restrictions to be imposed or required. For further information, see “Item 10. Additional Information—Exchange Controls—Foreign Investment and Exchange Controls in Chile.”

*Our ADS holders may not be able to exercise preemptive rights in certain circumstances.*

The Chilean Corporation Law provides that preemptive rights shall be granted to all shareholders whenever a company issues new shares for cash, giving such holders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We will not be able to offer shares to holders of ADSs and shareholders located in the United States pursuant to the preemptive rights granted to shareholders in connection with any future issuance of shares unless a registration statement under the U.S. Securities Act of 1933, as amended, (the “Securities Act”), is effective with respect to such rights and shares, or an exemption from the registration requirements of the Securities Act is available. At the time of any rights offering, we will evaluate the potential costs and liabilities associated with any such registration statement in light of any indirect benefit to us of enabling U.S. holders of ADRs evidencing ADSs and shareholders located in the United States to exercise preemptive rights, as well as any other factors that may be considered appropriate at that time, and we will then make a decision as to whether we will file a registration statement. We cannot assure you that we will decide to file a registration statement or that such rights will be available to ADS holders and shareholders located in the United States.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

###### **General**

LATAM Airlines Group is a Chilean-based airline holding company formed by the combination of LAN of Chile and TAM of Brazil in 2012. Following the combination, LAN Airlines S.A. became “LATAM Airlines Group S.A.” and TAM continues to exist as a subsidiary of Holdco I and a subsidiary of LATAM. The Company is primarily involved in the transportation of passengers and cargo and operates as one unified, combined business enterprise with two separate brands: LAN and TAM.

LATAM’s airline holdings include LAN and its affiliates in Peru, Argentina, Colombia and Ecuador, and LAN Cargo and its affiliates MasAir (in Mexico) and LANCO (in Colombia), as well as TAM S.A and its subsidiaries TAM Linhas Aereas S.A, TAM Transportes Aereos del Mercosur S.A, (TAM Airlines (Paraguay)), TAM Cargo, and Multiplus. LATAM is a publicly traded corporation listed in the Santiago Stock Exchange (“SSE”), the Valparaiso Stock Exchange, the Chilean Electronic Exchange, the New York Stock Exchange (“NYSE”) and the Brazilian Stock Exchange (“Bovespa”).

LAN was founded in 1929 by the Chilean government. In 1989, the Chilean government sold 51.0% of LAN’s capital stock to Chilean investors and to Scandinavian Airlines System. In 1994, controlling shareholders together with other major shareholders acquired 98.7% of LAN’s stocks, including the remaining stocks held by the Chilean government. In 1997, LAN was listed on the New York Stock Exchange, becoming the first Latin American airline to trade its ADRs on this financial market. Over the past decade, LAN has significantly expanded its operations in Latin America, initiating services in Peru in 1999, Argentina in 2005, Ecuador in 2009, and in Colombia in 2010 through the acquisition of Aerovias de Integracion Regional, Aires S.A. (dba “LAN Colombia”).

TAM is a leading domestic and international airline, offering flights throughout Brazil with a strong domestic market share, international passenger services and significant cargo operations. The company was founded in 1997 (under the name CIT—Companhia de Investimentos em Transportes), for the purpose of participating in, managing and consolidating shareholdings in airlines. In 2002, the name was changed to TAM S.A. and its shares began to be publicly traded on Bovespa in June 2005. From 2006 until the combination with LAN in 2012, TAM American Depositary Shares were also listed on the New York Stock Exchange.

Our principal executive offices are located at Presidente Riesco 5711, 20th floor, Las Condes, Santiago, Chile and our general telephone number at this location is (56-2) 565-2525. We have designated LATAM Airlines Group as our agent in the United States, located at 970 South Dixie Highway, Miami, Florida 33156. Our website address is [www.latamairlinesgroup.net](http://www.latamairlinesgroup.net). Information obtained on, or accessible through, this website is not incorporated by reference herein and shall not be considered part of this annual report. For more information contact Gisela Escobar, Senior Vice President Corporate Controller and Investor Relations, at [gisela.escobar@lan.com](mailto:gisela.escobar@lan.com).

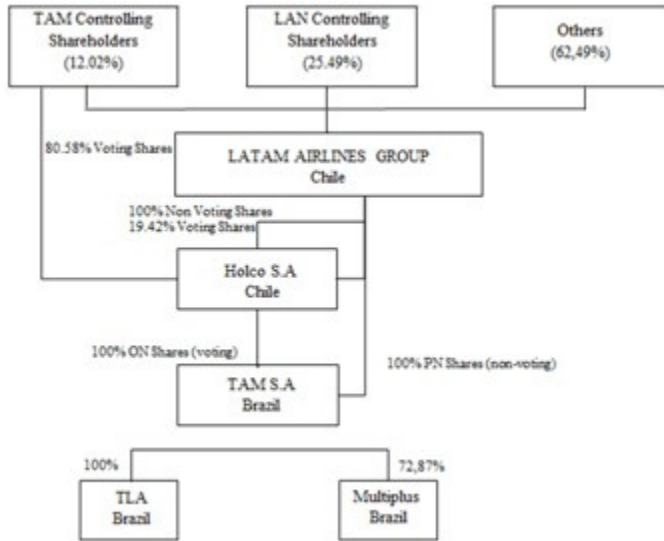
###### **Combination of LAN and TAM**

On June 22, 2012, LAN and TAM successfully completed an exchange offer resulting in the combination of the two businesses and the creation of LATAM Airlines Group.

Following the combination, on July 18, 2012, the registration of TAM as a publicly listed company in Brazil was cancelled and TAM was delisted from Bovespa.



In order to implement this combination, the TAM controlling shareholders formed four new *sociedades anónimas cerradas* with limited liability under the laws of Chile: TEP Chile, Holdco I, Holdco II and Sister Holdco. After the transaction was completed, Holdco II and Sister Holdco ceased to exist, and the ownership and organizational structure of LATAM Airlines Group as of December 31, 2014 was as follows:



TAM S.A., the holding company, has two significant operating subsidiaries, TAM Linhas Aéreas S.A. (“TLA”) and Multiplus S.A.

**Capital Expenditures**

For a description of our capital expenditures, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures.”

**B. BUSINESS OVERVIEW**

**General**

The association of LAN and TAM created the largest passenger and cargo airline groups in South America. We are also one of the largest airline groups in the world in terms of network connections, providing passenger transport services to approximately 135 destinations in 22 countries and cargo services to approximately 144 destinations in 26 countries, with a fleet of 327 aircraft and a set of bilateral alliances. In total, LATAM Airlines Group has more than 52,000 employees. LATAM currently provide domestic and international passenger services in Chile, Peru, Ecuador, Argentina, Colombia and Brazil. LATAM carry’s out its cargo operations through the use of belly space on the passenger flights and dedicated cargo operations using freighter aircraft through the cargo airlines in Chile, Brazil, Colombia and Mexico. We also offer other services, such as ground handling, courier, logistics, and maintenance.

As of January 31, 2015, LATAM serviced 16 destinations in Chile, 16 destinations in Peru, 5 destinations in Ecuador, 14 destinations in Argentina, 20 destinations in Colombia, 40 destinations in Brazil, 11 destinations in other Latin American countries and the Caribbean, 5 destinations in the North America, 5 destinations in Europe and 3 destinations in the South Pacific. In addition, as of January 31, 2015, through the various code-share and interline agreements, LATAM offered service to 117 destinations in Latin America, 435 destinations in North America, 395 destinations in Europe, and more than 800 destinations in Asia, Pacific, Africa and Middle East

**Competitive Strengths**

Our strategy is to maintain LATAM Airlines Group as the leading airline group in South America and to maximize shareholder value by increasing profitability through leveraging our unique position in the airline industry. LATAM Airlines Group is the only airline group in the region with a local presence in seven markets, as well as intra-regional and long haul operations. As a result, the Company has more flexibility, as well as a proven track record of acting quickly to adapt our business to economic challenges.



Moreover, LATAM's unique leadership position in a region with growth potential and the focus on our existing competitive strengths will allow us to continue building our business model and fuel our future growth. We believe our most important competitive strengths are:

#### *Leading Presence in South America*

Through a successful regional expansion strategy, LATAM Airlines Group has become the leading international and domestic passenger airline group in South America, as well as the largest cargo operator in Latin America. LATAM has domestic passenger operations in Chile, Brazil, Peru, Argentina, Colombia and Ecuador. These six countries are the most significant passenger markets in South America (excluding Venezuela) and represent approximately 90% of the passengers in the region. LATAM is also the largest operator of intra-regional routes, connecting the main cities in South America. Furthermore, through the significant presence in the largest hubs in South America—Lima and Sao Paulo—LATAM is able to offer the best connectivity between South America and the rest of the world. Finally, the cargo companies of LATAM Airlines Group are the largest air cargo operators within, to and from Latin America, particularly in Brazil, where we consolidated our position during 2013.

#### *Geographically Diversified Revenue Base, including both Passenger and Cargo Operations*

The operations of the LATAM Airlines Group are highly geographically diversified, including domestic operations in six different countries, as well as operations within South America and connecting South America with various international destinations. This provides resilience to external shocks that may occur in any particular market. Furthermore, we believe that one of our distinct competitive advantages is our ability to profitably integrate our scheduled passenger and cargo operations. We take into account potential cargo services when planning passenger routes, and also serve certain dedicated cargo routes using our freighter aircraft, when needed. By adding cargo revenues to our existing passenger service, we are able to increase the productivity of our assets and maximize revenue, which has historically covered fixed operating expenses per flight, lowered break-even load factors and enhanced per flight profitability. Additionally, this revenue diversification helps offset seasonal revenue fluctuations and reduces the volatility of our business over time. For the year ended December 31, 2014, passenger revenues accounted for 86% of total revenues and cargo revenues accounted for 14% of total revenues.

#### *Modern Fleet and Optimized Fleet Strategy*

The average age of our fleet is less than 7 years, making our fleet one of the most modern in Latin America and in the world. A younger fleet makes us more cost competitive because it reduces fuel consumption and maintenance costs, and enables us to enjoy a high degree of performance reliability. In addition, a modern and fuel efficient fleet reflects our strong commitment to the environment as new aircraft incorporate the industry's latest technology, allowing for a substantial reduction in emissions, while also decreasing noise levels. Finally, a modern fleet also allows us to provide the best passenger experience.

We optimize our fleet structure through the careful selection of modern aircraft models and staggered lease maturities. We select our aircraft based on their ability to effectively and efficiently serve our short- and long-haul flight needs, while still striving to minimize the number of different aircraft types we operate.

The Company's current fleet plan involves a short-haul fleet formed exclusively by aircraft from the A320 family, with a focus on A321s and A320neos, whose use represents a saving per ASK of around 6% in comparison to A320ceos. In 2014, LATAM incorporated 11 Airbus A321s, the largest model in this family, for use on the busiest regional routes and for some domestic routes in Chile as well as in Brazil, ending the year with 21 aircraft of this type. Additionally, the Company has placed orders for 36 A320neos, with delivery dates between 2016 and 2018.

For long-haul passenger flights, we operate the Boeing 767-300, Airbus A330, Airbus A340-300 and Boeing 777 aircraft, and the modern and efficient Boeing 787 Dreamliner. This aircraft has new technologies in aerodynamics, materials and coatings which allows us to achieve important savings on fuel consumption and also achieve sustainable expansion of our fleet (as the Dreamliner produces up to 20% less CO<sub>2</sub> than similar aircraft), while incorporating modern technology to deliver the best travel experience for LATAM's passengers. Our current fleet plan also includes the delivery starting in 2015, of the first of a total of 27 Airbus A350 passenger aircraft, a new aircraft type that is expected to further improve the efficiency of the existing long-haul fleet.

In 2014, the Company took out of service its Dash Q400s and Boeing 737s (inherited from the Aires airline in Colombia) as well as seven A330s and three A340s and expects to conclude the withdrawal of these older models by 2016.

Overall, the Company's continuous renewal of its fleet seeks to incorporate the best technology and position LATAM as a leader in fleet efficiency.





### *Strong Brands Teamed with Key Global Strategic Alliances*

Following the business combination, both LAN and TAM continue to operate under their existing brands. We believe that both the LAN and TAM brands are associated with superior service, aircraft and technologically-advanced operations, and are well recognized and respected in their respective markets. In 2014, LAN and TAM Airlines were recognized as the “Best Airlines in South America” in first and second places respectively by the SkyTrax World Airline Awards. The awards are considered the global barometer for customer satisfaction within the industry, thanks to their exclusive reliance on the opinion of passengers.

The strategic global alliances and existing commercial agreements provide the LATAM customers with access to more than 1700 destinations worldwide, itinerary flexibility and various other benefits, which substantially enhance our competitive position within the Latin American market. In addition, in March 2014 TAM Airlines and LAN Colombia joined **oneworld** marking one of the most important steps to achieve the entry of all of the airlines of LATAM Airlines Group into oneworld. To the passengers of the carries part of LATAM Airlines Group, this means greater convenience when traveling, since they will have the same standard of high-quality customer service, regardless of their international destination.

### *Financial Flexibility*

We have historically managed our business to maintain financial flexibility and a strong balance sheet in order to accommodate our growth objectives while having the ability to respond to changing market conditions. Our financial flexibility has allowed us to secure large aircraft orders, including an important part of our current re-fleeting program, at attractive financing rates.

### *Recognized Loyalty Programs*

TAM Fidelidade and LANPASS together represent the leading frequent flyer programs in South America, with strong participation rates and brand recognition by our customers. Customers in each program earn points or kilometers based on distance flown and class of ticket purchased, or by using other services of partners in the program. In addition, TAM’s Multiplus program, which was launched in 2009, allows members to accumulate points not just by flying with TAM, but also by making purchases through credit cards or using services and products at partner establishments, and to redeem points for TAM flights and other products at partner establishments. Following the business combination between LAN and TAM, we have begun to harmonize the two airlines’ frequent flyer programs to make them fully fungible for our customers, and have advanced cost initiatives related to the contract renegotiations and process standardization.

We regard our frequent flyer programs as strong relationship tools and we believe that these flexible programs are attractive to customers because they do not impose restrictions on flights for which points can be redeemed or the number of seats available to members using the loyalty program for any particular flight. LANPASS and TAM Fidelidade members can also accrue and redeem points for **oneworld**® flights.

### **Business Strategy**

Our mission is to connect people with safety, operational excellence and warmth, seeking to become one of the best airlines groups in the world. In order to reach our mission the principal areas in which we plan to focus our efforts going forward are as follows:

#### *Strengthen our Network*

LATAM currently intends to strengthen its route network in South America, thereby offering the best connectivity within the region at a competitive price, in order to become by far the most convenient option for our passengers. We are the only airline group in South America with a local presence in seven home markets and an international and intra-regional operation. This position is strengthened by improved infrastructure in some of our main hubs, allowing us to further strengthen our network and improve connection times. We intend to leverage our position to create a diversity of options and destinations and build a platform that will allow us to continue growing in the long term.

#### *Brand leadership and customer experience:*

We will always seek to be the preferred choice of passengers in this region. Our efforts are driven by a differentiated passenger experience, and our leveraging of mobile digital technologies. We are currently working on a single, unified brand, culture, product and value proposition for our passengers. Additionally, we will focus on defining LATAM’s digital strategy including applications to achieve ancillary revenues, and improving the management of contingencies, so that we are able to provide information and solutions to our customers in a timely and transparent manner. We continually assess opportunities to incorporate service improvements in order to respond effectively to our customers’ needs.



*Focus on Efficiency and Cost Competitiveness*

We are currently working to establish a competitive cost structure to further improve our effectiveness, simplify our organization and increase flexibility and speed in decision making. The target is to reduce total costs by approximately 5% over the next 4 years (2015 to 2018). These savings are in addition to the efficiencies we expect to obtain from our new fleet technologies. Cost savings include reductions in fuel and fees, procurement, operations, overhead, and distribution costs, among others. The company has already started work on cost initiatives in all these areas. We currently are working to install behavior of austerity at all levels within the Company to continuously reduce costs.

*Organizational Strength*

We aspire to be a group of passionate people, working in a simple and aligned manner, with inspiring leaders making agile decisions. This will allow us to deliver a distinctive value to our customers, surpass our competitors in a consistent way and have a healthy and sustainable company.

*Proactive risk management*

We are working to incorporate a holistic and responsible view of risk in decision making, starting with risks that have high potential impact and low probability of occurrence, which could significantly affect LATAM's strategic objectives.

**Airline Operations and Route Network**

The following tables sets forth our operating revenues by activity and point of sale for the periods indicated:

|                          | Year ended December 31, |          |         |
|--------------------------|-------------------------|----------|---------|
|                          | 2014                    | 2013     | 2012    |
|                          | (in US\$ millions)      |          |         |
| Total passenger revenues | 10,380.1                | 11,061.6 | 7,966.8 |
| Total cargo revenues     | 1,713.4                 | 1,863.0  | 1,743.5 |
| Total traffic revenues   | 12,093.5                | 12,924.5 | 9,710.4 |

|  | Year ended December 31, |                 |                |
|--|-------------------------|-----------------|----------------|
|  | 2014                    | 2013            | 2012           |
|  | (in US\$ millions)      |                 |                |
| Peru                                   | 660.1                   | 646.2           | 620.3          |
| Argentina                              | 813.5                   | 950.6           | 890.2          |
| U.S.A.                                 | 1,224.3                 | 1,290.5         | 1,268.6        |
| Europe                                 | 935.9                   | 937.5           | 738.8          |
| Colombia                               | 391.7                   | 388.0           | 366.7          |
| Brazil                                 | 5,361.6                 | 5,572.9         | 3,334.1        |
| Ecuador                                | 248.6                   | 273.7           | 266.3          |
| Chile                                  | 1,589.2                 | 1,698.5         | 1,525.0        |
| Asia Pacific and rest of Latin America | 868.8                   | 1,166.6         | 712.2          |
| Total Operating Revenues               | <b>12,093.5</b>         | <b>12,924.5</b> | <b>9,722.2</b> |



Passenger Operations

General

As of December 31, 2014, both domestic and international passenger services, were operated by LAN, TAM, LAN Peru, LAN Ecuador, LAN Argentina and LAN Colombia.

The following table sets forth certain of our passenger operating statistics for international and domestic routes for the periods indicated:

|  | Year ended and as at December 31, |           |                     |
|--|-----------------------------------|-----------|---------------------|
|  | 2014                              | 2013      | 2012 <sup>(2)</sup> |
| <b>ASKs (million) (at period end)</b>                        |                                   |           |                     |
| International  | 65,530.1                          | 67,159.3  | 65,627.8            |
| SSC  | 21,110.3                          | 20,365.0  | 18,347.6            |
| Domestic Brazil  | 43,560.5                          | 44,163.5  | 48,210.6            |
| Total  | 130,200.9                         | 131,690.9 | 132,186.0           |
| <b>RPKs (million)</b>  |                                   |           |                     |
| International  | 55,951.1                          | 55,272.4  | 53,957.4            |
| SSC  | 16,993.3                          | 15,990.0  | 14,446.0            |
| Domestic Brazil  | 35,589.7                          | 35,193.2  | 35,482.7            |
| Total  | 108,534.0                         | 106,466.5 | 103,886.1           |
| <b>Passengers (thousands)</b>                                |                                   |           |                     |
| International  | 13,630                            | 13,506    | 13,134              |
| SSC  | 20,759                            | 19,847    | 17,973              |
| Domestic Brazil  | 33,468                            | 33,344    | 33,571              |
| Total  | 67,833                            | 66,696    | 64,477              |
| <b>Passenger RASK (passenger revenues/ASKs, in US cents)</b> |                                   |           |                     |
| International <sup>(3)</sup>                                 | US¢7.6                            | US¢7.9    | US¢7.9              |
| SSC <sup>(3)</sup>   | US¢9.1                            | US¢9.6    | US¢10.2             |
| Domestic Brazil <sup>(3)</sup>                               | US¢8.6                            | US¢9.2    | US¢8.8              |
| Combined RASK <sup>(1)</sup>                                 | US¢8.0                            | US¢8.4    | US¢8.3              |
| <b>Passenger load factor (%)</b>                             |                                   |           |                     |
| International  | 85.4%                             | 82.3%     | 82.2%               |
| SSC  | 80.5%                             | 78.6%     | 78.7%               |
| Domestic Brazil  | 81.7%                             | 79.7%     | 73.6%               |
| Combined load factor   | 83.4%                             | 80.8%     | 76.6%               |

- (1) The combined RASK for LATAM is calculated by dividing passenger revenues by total passenger ASKs.
- (2) Pro forma operating data for the year ended as of December 31, 2012 (which includes TAM's unaudited operating data since June 23, 2012).
- (3) RASK information for each of our business units is provided because LATAM believes that it is useful information to understand trends in each of our operations. The revenues per business unit include ticket revenue, breakage, excess baggage fee, frequent flyer program revenues and other revenues, however these measures may differ from similarly titled measures reported by other companies and should not be considered in isolation or as a substitute for measures of performance in accordance with IFRS. This unaudited operating data is not included in or derived from LATAM's financial statements.

International Passenger Operations

Our international network combines the international operations of the Chilean, Peruvian, Ecuadorian, Argentinean, Colombian and Brazilian subsidiaries. LATAM has operated international services out of Chile since 1946 and have greatly expanded our international services, offering flights out of Peru, Ecuador, Argentina, Colombia and Brazil. As of December 31, 2014, we now offer 24 international destinations.

Our strategy to generally expand our international network is aimed at enhancing our value proposition by offering customers more destinations and routing alternatives, and promoting tourism in South America. Our sustained development of our international network has been a crucial factor in our long-term strategy. LATAM provides long-haul services out of Santiago, Lima, Guayaquil, Buenos Aires, Bogota, Sao Paulo and Rio de Janeiro. LATAM also provides regional services from Chile, Peru, Ecuador, Argentina, Colombia and Brazil.

During year 2014, after the necessary infrastructure investments were made, we completed our move to the new Terminal 3 at Guarulhos Airport in Sao Paulo with new slots for takeoff and landing slots in this airport which allow us to significantly decrease our connection times. This is a key milestone in the development of our building our most important hub at Guarulhos airport. In addition, we have continued to consolidate our secondary hubs in Lima and Santiago.



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The following table sets forth the international destinations served from each of the aforementioned countries as of December 31, 2014:

| Country of Origin | Destination        | Number of Destinations |   |
|-------------------|--------------------|------------------------|---|
| Chile             | Argentina          | 4                      |   |
|                   | Australia          | 1                      |   |
|                   | Bolivia            | 2                      |   |
|                   | Brazil             | 2                      |   |
|                   | Colombia           | 1                      |   |
|                   | Ecuador            | 2                      |   |
|                   | Peru               | 1                      |   |
|                   | Uruguay            | 1                      |   |
|                   | Venezuela          | 1                      |   |
|                   | Dominican Republic | 1                      |   |
|                   | Mexico             | 2                      |   |
|                   | United States      | 3                      |   |
|                   | Spain              | 1                      |   |
|                   | Germany            | 1                      |   |
|                   | New Zealand        | 1                      |   |
|                   | Falkland Islands   | 1                      |   |
| French Polynesia  | 1                  |                        |   |
| Peru              | Argentina          | 3                      |   |
|                   | Bolivia            | 2                      |   |
|                   | Brazil             | 1                      |   |
|                   | Chile              | 1                      |   |
|                   | Colombia           | 3                      |   |
|                   | Cuba               | 1                      |   |
|                   | Ecuador            | 2                      |   |
|                   | Venezuela          | 1                      |   |
|                   | Mexico             | 2                      |   |
|                   | United States      | 3                      |   |
|                   | Dominican Republic | 1                      |   |
| Brazil            | Spain              | 1                      |   |
|                   | Argentina          | 4                      |   |
|                   | Chile              | 1                      |   |
|                   | Colombia           | 1                      |   |
|                   | Peru               | 1                      |   |
|                   | Uruguay            | 1                      |   |
|                   | Venezuela          | 1                      |   |
|                   | Paraguay           | 2                      |   |
|                   | Mexico             | 2                      |   |
|                   | United States      | 3                      |   |
|                   | France             | 1                      |   |
| Ecuador           | Germany            | 1                      |   |
|                   | United Kingdom     | 1                      |   |
|                   | Italy              | 1                      |   |
|                   | Argentina          | 1                      |   |
|                   | Chile              | 1                      |   |
|                   | United States      | 2                      |   |
|                   | Peru               | 1                      |   |
|                   | Spain              | 1                      |   |
|                   | Argentina          | Brazil                 | 1 |
|                   |                    | Chile                  | 1 |
|                   |                    | Dominican Republic     | 1 |
| United States     |                    | 1                      |   |
| Colombia          | Brazil             | 1                      |   |
|                   | Chile              | 1                      |   |
|                   | United States      | 1                      |   |



During 2014, LATAM received five additional Boeing 787-8 Dreamliners, ending the year with ten aircraft of this model, out of an order of 32, and expanding the aircraft's utilization to five new routes. The incorporation of the Boeing 787-8 Dreamliners into our international fleet will allow us to achieve important savings on fuel consumption and the sustainable expansion of our fleet (as the Dreamliner produces up to 20% less CO<sub>2</sub> than similar aircraft), while incorporating modern technology to deliver the best travel experience for our passengers. In addition, during 2014, LATAM started a process of retrofitting some of the Company's Boeing 777 aircraft, in order to include a new business class mainly in routes from Brazil to North America and also received additional Boeing 767 aircraft with fully flat business class seat.

As part of its mission, LATAM seeks to promote tourism to South America. Due to its large network of services, visitors from around the world can experience world renowned destinations such as Cusco, Easter Island, the Galapagos Islands, Iguazu Falls in Brazil, or Patagonia in Chile and Argentina, including the cities of Punta Arenas, Ushuaia, El Calafate and Bariloche.

### *Chile*

According to the Chilean JAC data, Chilean international air passenger traffic increased 6.1% from 2013 to 2014 as measured in passengers transported, totaling more than 7.4 million passengers in 2014. We had 62.8% of the international market share in Chile in 2014 as measured in passengers transported, which was a decrease compared to 65.3% in 2013. Our Chilean international operations can be divided into four main segments based on destination: to North America, to Europe, to other countries in Latin America, and to the Pacific. As of January 31, 2015, our main competitors on direct routes between Chile and North America included American Airlines, Delta Airlines, Avianca-Taca, Air Canada and Aeromexico. COPA also participated in the Chile-North American markets with stopovers in its Central American hub in Panama City. Our main competitors on routes between Chile and Europe were Air France-KLM and Iberia. On regional routes our main competitors included Aerolineas Argentinas, Air Canada, Avianca-Taca and GOL.

### *Peru*

According to our internal estimates (captured through MiSchDynamicDT), Peruvian international air passenger traffic increased by 3.1% from 2013 to 2014 measured in passengers transported, totaling approximately 7.7 million passengers in 2014. In Peru, we had 33.7% share of the international market as measured in passengers transported in 2014, with no variations as compared to the passengers transported in 2013. Our Peruvian international operations can be divided into three main segments based on destination: to North America, to Europe and to other countries in Latin America. As of January 31, 2015, our main competitors on direct routes between Peru and North America included American Airlines, United Airlines, Delta Airlines, Avianca-Taca, Aeromexico and Air Canada. COPA also participated in the Peru-North American markets with stopovers in its respective Central American hub. On routes to Europe, our main competitors were Air France-KLM and Iberia. On regional routes our main competitors included Avianca-Taca and Aerolineas Argentinas.

### *Ecuador*

According to our internal estimates and travel agency statistics (captured through MiSchDynamicDT), Ecuadorian international air passenger traffic increased 7.1% from 2013 to 2014, as measured in passengers transported totaling approximately 6.3 million passengers in 2014. According to the Diio Mi we had 23.0% of the international market share as measured in ASKs in LATAM routes from Ecuador in 2014, a decrease of 9.6 percentage points compared to 32.6% in 2013. Our Ecuadorian international operations can be divided into three main segments, based on the destination: to North America, Europe to other countries in Latin America. As of January 31, 2015, our main competitors on direct routes between Ecuador and North America included American Airlines, Continental Airlines, Delta Airlines; Avianca-Taca and COPA also participate in the Ecuador-North American markets with stopovers in their respective Central American hubs. On routes to Europe, our main competitors included Iberia, KLM and Avianca-Taca. On regional routes, our main competitors included Avianca-Taca and Copa.

### *Argentina*

According to our internal estimates (captured through MiSchDynamicDT), in 2014 the Argentinean international passenger capacity decreased by 0.5%, as compared to the previous year. LATAM Airlines had 11.8% of the international market share as measured in capacity (ASKs) in Argentina in 2014, which was a decrease as compared to 13.0% in 2013. The Argentinean international operations can be divided into two main segments based on destination: to North America and to other countries in Latin America. As of January 31, 2015, the main competitors on the Buenos Aires-Miami route included American Airlines and Aerolíneas



Argentinas. Avianca-Taca and COPA also participated in the Argentina-North American markets with stopovers in their respective hubs. The main competitors on the Buenos Aires-Dominican Republic route included COPA and American Airlines. The main competitors on the Buenos Aires-Sao Paulo route included GOL and Aerolíneas Argentinas. The main competitors on the Buenos Aires-Lima route included Avianca-Taca and Aerolíneas Argentinas. The main competitors on the Buenos Aires-Santiago route included Aerolíneas Argentinas and Air Canada and Sky Airline.

### *Colombia*

According to *Aeronautica Civil* (Colombian Civil Aeronautics), the Colombian international market increased 9.8% from 2013 to 2014 as measured in passengers transported, from 9.9 million passengers to approximately 10.9 million passengers in 2014. LAN (including LAN Colombia, LAN Peru and LAN Airlines) had a 7.4% share of the international market share in Colombia in 2014, as measured in RPK which is an increase of 1.0 percentage point as compared to 6.4% in the same period 2013. The international operations in Colombia can be divided in two business segments based on destination: to North America and to other countries in Latin America. As of December 31, 2014, the main competitors on direct routes between Colombia and North America included Avianca-Taca, American Airlines, United Airlines, Air Canada, Delta Airlines and Aeromexico. COPA also participated in the Colombia-North American markets with stopovers in its Central American hub. On regional routes, the main competitors included Avianca-Taca and COPA.

### *Brazil*

According to Brazilian ANAC data, Brazilian international air passenger traffic increased 4.9% from 2013 to 2014 as measured in RPKs, totaling more than 6.4 million passengers in 2014. TAM had 84.6% of the international market share in Brazil in 2014 when considering only Brazilian airlines, which was a decrease compared to 87.5% in 2013. Our Brazilian international operations can be divided into three main segments, based on destination: to North America, to Europe and to other countries in Latin America. As of January 31, 2015, the main competitors on direct routes between Brazil and North America included American Airlines, United Airlines, Delta Airlines, Air Canada and Aeromexico. Avianca-Taca also participated in the Brazil-North American markets with stopovers in its Central American hub. On routes to Europe, the main competitors were Iberia, Air France-KLM, Lufthansa, TAP and Air Europa. On regional routes the main competitors included Aerolíneas Argentinas, Avianca-Taca and GOL.

### *Domestic Passenger Operations*

LATAM provides domestic passenger services within Chile, Peru, Ecuador, Argentina and Colombia. Said domestic passenger services are operated by LAN, LAN Express and the regional subsidiaries, including LAN Peru, LAN Ecuador, LAN Argentina and LAN Colombia. Additionally, TAM Linhas Aereas provides domestic passenger services within Brazil.

#### *Business Model for Domestic Operations*

LATAM operates on a low cost business model in all of our domestic operations. This model increases efficiency in the short-haul while encouraging increased domestic demand. A key element of this business model has been to significantly increase the utilization of the narrow body fleet, a goal that the company has been successfully achieving through modified itineraries including more point-to-point, faster turnarounds times and overnight flights. Additionally, the transition to a newer fleet has allowed decreases in unscheduled maintenance costs as well as in cost efficiencies achieved through operating fewer fleet types and in operational efficiencies, including lower fuel consumption.

Another key element of this business model is the reduction in sales and distribution costs through higher internet penetration and reduced agency commissions, and increased self-check-in service through web check-in and kiosks at airports. These initiatives, together with simplifications in back-office and support functions, will continue to allow us to expand operations while controlling fixed costs. We have begun to pass on these operating efficiencies to consumers through significant fare reductions, which have a strong effect in stimulating new demand. We plan to continue working in the business model during 2015, as we look for ways to increase operational efficiency, encourage direct sales and self-check-in, and implement new sales strategies aimed at stimulating demand.

#### *Operations within Chile*

LAN and LAN Express, are the leading domestic passenger airline in Chile. We have operated domestic flights in Chile since LAN's creation in 1929. During 2014, we flew to 16 destinations within Chile (including Santiago, but not including Easter Island, which we consider an international destination) as well as some seasonal destinations, with an average fleet of 28 Airbus A320-Family Aircraft. Domestic operations in Chile have been positively affected by the greater utilization of the latest-generation Airbus fleet and the retirement of the Airbus A318-100s.



According to JAC data, the Chilean domestic market as a whole transported approximately 9.8 million passengers in 2014, an increase of 3.8% from 9.5 million passengers transported in 2013. Our domestic passenger market share in Chile was 77.9% in 2014 as measured in revenue passenger kilometer (RPK). During 2014, our main competitors in the domestic market were Sky Airlines domestic passenger market shares as measured in RPKs of 20.2%.

#### *Operations within Peru*

LAN Peru started operations in 1999 with both domestic and international flights from Lima. Since then LAN Peru has expanded consistently, consolidating its domestic operations with a continuous focus on improving our excellence for service.

During 2014 LAN Peru flew to 16 destinations, with 11 Airbus A319 and 7 Airbus A320 aircraft. With this, LAN Peru has one of the most modern fleets in Latin America, which is ideal for the characteristics of Peruvian routes, as it maximizes available payload in high-altitude airports. In 2014, a total of 5.7 million passengers traveled on LAN Peru's domestic routes, which represented an increase of 8% compared to 2013. According to data provided by the Peruvian DGAC, our domestic market share was 63,2% in 2014, compared to 63.4% in 2013, as measured in number of passengers. Our main competitors in Peru include Avianca, Peruvian Airlines and Star Perú.

#### *Operations within Argentina*

Since 2005, LAN Argentina has increased its domestic destinations to a total of 14 Argentine cities. It currently operates the domestic network through a fleet of 10 Airbus A320 aircraft.

In the domestic Argentine market, LAN Argentina operates in a regulated environment in which fares sold to Argentine passengers are subject to minimum and maximum prices that vary per route. In 2014, the floor and ceiling of the regulated price range consistently increased-, by 12% in May 2014, by 12% in August 2014 and by 12% in December 2014-.

Based on internal estimates as of December 31, 2014, the domestic market share in Argentina in terms of capacity (ASKs) was approximately 27%. During this period of time LAN Argentina transported 2.3 million passengers, increase 0.5% compared to 2013. The main competitor of LAN Argentina is Aerolíneas Argentinas, a state owned company that has approximately 70% of the total Argentinean domestic capacity as measured in ASK.

#### *Operations within Ecuador*

Since beginning operations in 2008, LAN Ecuador has greatly expanded the number of destinations and frequency of flights. As of the end of 2014, LAN Ecuador operated in 5 domestic destinations-Guayaquil, Quito, Cuenca, Baltra and San Cristobal- with a fleet of 3 Airbus A319 aircraft.

In 2014, LAN Ecuador transported 1.1 million passengers in the domestic passenger market representing a decrease of 16% in number of passengers serviced in 2013, in a market that registered a decrease of more than 8% in domestic commercial flights. However, LAN Ecuador as the leading airline with a 36.5 percent of the market, outperforming its main competitors such as the flag carrier Tame, and Avianca-Taca.

#### *Operations within Colombia*

Following the acquisition of Aires in 2010, LAN Colombia has successfully restructured the Company's previous operations in order to achieve LATAM's standards in terms of security, punctuality, efficiency and service quality. LAN Colombia implemented the low cost model already operating in the other affiliates domestic markets of Chile, Peru, Argentina and Ecuador, to stimulate demand on domestic flights by providing more Colombian citizens the opportunity to use air transportation.

LAN Colombia continued to expand its network inside the domestic market in 2014, flying to 20 destinations and 24 routes. Additionally, LAN Colombia continues to advance in its fleet renewal plan, with the aim of phasing out less efficient models, by gradually replacing the Boeing B737 aircraft and Bombardier Dash aircraft inherited from Aires with aircraft from the Airbus A320 family. As of December 2014, LAN Colombia serviced its domestic destinations with 14 Airbus A320 aircraft and 7 Dash-200 aircraft. The company's fleet renewal will be completed in 2015, when we will phase out all of the remaining Dash 8-200 aircraft.



In its third year of operations LAN Colombia transported 4.4 million passengers on domestic passenger, 9.2% more than the previous year, ranking as the second largest operator in the country, with a 19% market share measured in passenger onboard, behind Avianca. Other important competitors are Satena and VivaColombia.

#### *Operations within Brazil*

TAM Linhas Aereas is the leading domestic passenger airline in Brazil.. TAM Linhas Aereas’ strategy is based on providing strong connectivity through a network based on the main Brazilian cities, offering a reliable and high quality service, and leveraging our strong brand position in Brazil and abroad. As of December 31, 2014 TAM Linhas Aereas operates flights to 40 destinations within Brazil as well as some seasonal destinations, with an average fleet of 115 aircraft of the Airbus A320 family, including 16 Airbus A321, aircraft that allows high-density routes meet greater efficiency

The domestic market in Brazil has historically suffered from overcapacity, resulting in very low load factors compared to industry standards, which has negatively impacted the financial results of domestic airlines in recent years. However, this trend began to change during 2012 and has significantly improved during the last two years, as major airlines have reduced domestic capacity, leading to general improvements in load factor and yields.

TAM has continued to make significant progress in the domestic Brazil passenger operation, improving profitability by increasing load factor and yield (in real) through the rationalization of capacity and improved revenue management through better segmentation of the market. During 2014, TAM reduced its capacity by 1.4% as measured in ASKs and increased traffic measured in RPK 1.1%, leading to an increase of 2.0 percentage points in load factors on a year-over-year basis, compared to the already high level reached by TAM in 2013, and higher than the occupancy factor of the industry which was 79.8% on average.

In 2014, TAM maintained leadership among business travelers and improved its punctuality indicators, resulting in greater customer satisfaction. In addition, TAM won - for the second consecutive year - the airline Top of Mind award.

According to ANAC, the Brazilian domestic market as a whole transported approximately 96 million passengers in 2014, an increase of 6.6% as compared to 90.0 million in 2013. As of December 31 2014, TAM Linhas Aereas lead the Brazilian domestic passenger with 38.1% of the market share as measured in RPKs. During 2014, TAM’s main competitors in the domestic market were GOL, Azul, and Avianca Brazil.

#### *Passenger Alliances and Commercial Agreements*

Prior to the combination between LAN and TAM, LAN, LAN Peru, LAN Ecuador and LAN Argentina were members of oneworld®, and TAM was member of Star Alliance®. In March 2013, LATAM Airlines Group chose oneworld® as the global alliance for all of its airlines. As a result of this decision, LAN Colombia became a member of oneworld® on October 1, 2013 and TAM became a member of oneworld® in March 31, 2014. Its affiliate TAM Mercosur will join in a future date. Currently, oneworld® is a global marketing alliance comprising of LAN, LAN Peru, LAN Argentina, LAN Ecuador, LAN Colombia, TAM, Air Berlin, American Airlines, British Airways, Cathay Pacific Airlines, Finnair, Iberia, Japan Airlines, Malaysia Airlines, Qantas, Qatar, Royal Jordanian, Sri Lankan and S7. The current members of the oneworld® alliance, including LATAM, serve more than 990 destinations, 154 countries, operating 14,000 daily departures.

The following are our passenger partnerships as of January 2015:

- *American Airlines Group.* Since 1997, LAN has had an agreement with American Airlines to share carrier codes for certain flights on global reservations systems, thereby enabling American Airlines passengers to purchase seats on LAN flights and vice-versa (a “code-sharing agreement”). The U.S. Department of Transportation (DOT), granted LAN Airlines SA and American Airlines immunity from antitrust regulations in October 1999 for specific areas of cooperation. For more information see “—Regulation—United States of America—Authorizations and Licenses” below. In 2005, the DOT also granted antitrust immunity to LAN Peru and American Airlines for specific areas of cooperation. In 2007, LAN Peru and American Airlines established a code-sharing agreement between Peru and the U.S. with additional destinations in both countries. In the same year, LAN Argentina and American Airlines signed a code-sharing agreement expanding the cooperation between the companies. At the end of 2011, a code-sharing agreement between LAN Ecuador and American Airlines was signed. During 2013, two new code-sharing agreements were implemented between American Airlines and the LATAM Airlines Group; one between LAN Colombia and American Airlines and the other between





TAM and American Airlines. LATAM is currently expanding its code-share agreements with American Airlines in order to offer more destinations within the U.S. Before the merge between American Airlines and US Airways. In April 2010, before the merger between American Airlines and US Airways, TAM initiated a code-sharing agreement with US Airways to code-share between Brazil and USA. Through this agreement, TAM can access 23 domestic cities in the U.S. from Orlando, Miami and New York. US Airways became a member of oneworld® in March 31, 2014 after the merger with American Airlines.

- *Iberia.* In January 2001, LAN initiated a code-sharing agreement with Iberia. In 2007, LAN Ecuador and LAN Peru set up code-sharing agreements with Iberia for routes between Ecuador, Peru and Spain; as well as other additional European destinations. Currently, LAN, LAN Ecuador and LAN Peru offer 17, 11 and 14 destinations in Europe, respectively, through Iberia routes. After LAN Colombia and TAM joined the Alliance, in the second quarter of 2014, LAN Colombia and Iberia established a code-sharing agreement for Colombia’s domestic market. At the end of 2014, TAM and Iberia signed an amendment to the current code-share agreement in order to expand their code-shared routes between Brazil and Europe.
- *Qantas.* In July 2002, LAN initiated a code-sharing agreement with Qantas to operate between Santiago, Chile and Sydney, Australia with a stopover in Auckland, New Zealand. As of January 31, this code-sharing agreement includes 7 Santiago-Auckland-Sydney flights operated by LAN and 4 non-stop Santiago-Sydney flights offered by Qantas. During 2014, LAN and Qantas executed a second codeshare agreement to connect other South-American’s destinations with New Zealand and Australia.
- *British Airways.* In 2007, LAN initiated a code-sharing agreement with British Airways on LAN flights between Sao Paulo and Santiago to provide service for British Airways passengers traveling from London to Santiago through a connection in Sao Paulo. This code-sharing agreement also includes British Airways’ flights between Madrid and London.
- *Lufthansa and Swiss Air:* TAM has a code-sharing agreement with Lufthansa and Swiss Air, pursuant to which TAM offers its customers long haul flights from Brazil to Germany, inside Germany to 7 destinations and within Europe to 4 destinations operated by Lufthansa and Swiss Air. Lufthansa and Swiss Air likewise offer customers seats on TAM’s flights from Germany to Brazil, inside Brazil to 12 destinations and within South America to 3 destinations.
- *Aeromexico.* During 2004, LAN and LAN Peru signed a code-sharing agreement with Aeromexico. Currently there are code-shares between Aeromexico and LAN Peru for flights from Peru to Mexico, and to 18 domestic destinations of Mexico. In May 2012, TAM also implemented a code-sharing agreement with Aeromexico between Sao Paulo and Mexico City. This code-sharing agreement also includes 9 destinations in Brazil, and 9 destinations in México.
- *All Nippon Airways.* In October 2010, TAM initiated a code-sharing agreement with All Nippon Airways to operate between Sao Paulo and Narita, through connections in London From 30th March 2014, All Nippon Airways switches its operation to Haneda Airport, giving our passengers access to the preferred airport in Tokyo. During 2014 All Nippon Airways and TAM agreed to expand the code-sharing agreement and implement new routes from South-America to Japan via Europe and North America, subject to required governmental approvals.
- *Cathay Pacific.* In May 2010, LAN initiated a code-sharing agreement with Cathay Pacific to operate between Santiago and Hong Kong, through connections in Los Angeles, New York and Auckland, and in November 2010, LAN Peru initiated a code-sharing agreement with Cathay Pacific to operate between Lima and Hong Kong, through connections in Los Angeles and San Francisco.
- *Japan Airlines.* In September 2011, LAN initiated a code-sharing agreement with Japan Airlines to operate between Santiago and Narita, through connections in Los Angeles and New York.
- *Other alliances and partnerships:* TAM also has a code-sharing agreement in place with Air China to operate between Sao Paulo and Beijing, through connections in Madrid. LAN Peru has a code-sharing agreement with Korean Air, for flights between Los Angeles and Seoul (operated by Korean Air) and between Los Angeles and Perú (operated by LAN Peru), and LAN has a code-sharing agreement with Alaska Airlines, which permits LAN to provide customers with service between Chile and three destinations in the west coast of the U.S. and Canada. At the end of 2013 South African and TAM signed a code-sharing agreement between Sao Paulo and Johannesburg. This agreement also includes other destinations in South Africa and Brazil.

Passenger Marketing and Sales

Since the combination between LAN and TAM in 2012, LATAM Airlines Group has operated under two brands, LAN and TAM. Within the “LAN” and “TAM” brands, we differentiate our marketing strategies between our long haul and short haul services.

Our long-haul marketing strategy emphasizes attributes valued by our international customers: a reliable, high-quality service centered on entertainment and comfort for long travel. We also highlight our extensive network covering the most important destinations in South America and the Caribbean and frequent service to major overseas gateways such as New York, Los Angeles, Miami, Orlando, London, Madrid, Paris, Frankfurt, Milan and Sydney. In a continuing effort to fulfill this promise, we continuously improve our cabins and review our service protocols. Our Business Cabin features a premium on-board service aimed to provide our customers with more time to rest. In our Economy Cabin, newly upgraded entertainment units make flying more enjoyable.



In 2014, LATAM's long haul fleet had 10 Boeing 787 of the 32 aircraft we ordered. The Company was the first airline in the Americas, and fourth in the world, to receive this model with the latest-generation technology that was an innovation breaking point for the airline industry. The 787 airplanes will allow us to reach new destinations and boost our existing services while increasing the efficiency of our operations and reduce our carbon footprint. Following this trend, in 2015 LATAM will be the first in the Americas to receive the Airbus A350, a new generation aircraft with new standards of efficiency—with capacity of approximately 348 seats— and with new levels of passenger comfort. See “—International Passenger Operations” for a description of recent improvements to our international fleet.

Our short-haul operations are designed to fit our customers' need: punctuality, reliability, more frequencies, modern aircraft and efficient operations. To deliver this value proposition, we have been increasing our fleet and frequencies with more point-to-point flights, improved punctuality and streamlined processes including Internet sales, web and mobile check-in and airport self-check-in.

Additionally, our short haul fleet has also been renewed by the delivery of more Airbus A320 and A321. These aircraft also enhance our domestic and our regional by providing high security standards, improvements in the interior cabin design- the upper bins have mirrors that ensure visibility of carryon luggage, among other improvements - and more comfortable and technologically-advanced seating -with leather upholstery and more in-flight entertainment screens. Moreover, these aircraft are 13 percent lighter than the aircraft they will replace, resulting in lower fuel consumption and CO2 emissions. See “—Domestic Passenger Operations” for a description of recent initiatives to improve our domestic fleet, including the introduction of modern Airbus A320-Family Aircraft in most of our domestic operations.

Our main concern is to deliver our promise to our customers. Therefore, we constantly monitor our customer satisfaction with in-flight surveys and research, and measure our performance against the highest standard levels. This commitment to excellence has paid off with several prizes and recognitions given by customers and industry experts such as Skytrax's "2013 best staff service", Skytrax's "2013 Best Airlines in South America", Business Traveler's "2013 Best Business Class in Latin America"(LAN), 2013 "Best travel Cellars in the sky" (TAM), Skytrax's "2014 Best Airlines in South America (LAN first place and TAM second place)", "2014 Best staff service (LAN)" and Business "2014 Best travel Cellars in the sky (TAM)".

### *Branding*

The "LAN" brand was launched in 2004 and brings together, under one strong international name, all of the affiliate brands such as "LAN Chile," "LAN Peru," "LAN Argentina" "LAN Colombia", "LAN Ecuador" and "LAN Cargo." The corporate image of LAN is based on two core concepts: reliability and warmth, which support our promise of the best travel experience to, from and within South America. We are also committed to offering our customers the best coverage to, from and within South America, and to promoting sustainable tourism, helping develop the regions where we operate. And by best, we mean providing our customers with an excellent connection network and service; being transparent and accessible; and promoting sustainable tourism in the countries where we do business.

Using a single brand enables LAN's customers to better understand the common service and operating standards among its airlines. LAN's unified image has improved its visibility, thereby enhancing flexibility and increasing the efficiency of its marketing efforts.

TAM launched the strategic platform for a single brand back in 2008, with TAM being the main brand that, through values, strategic positioning and language, guides other brands, services and business units, such as TAM Airlines, TAM Cargo, TAM Viagens, TAM Fidelidade, TAM nas Nuvens and others. Thus, we generate synergies among our businesses, always guided by the same values and the commitment to quality and relationships with our stakeholders.

In May 2013, TAM also launched the "A gente faz um mundo por você" ("We make a world for you") campaign, which reinforced TAM's focus on service. In line with this vision, TAM's mission is to be the people's preferred airline by using joy, creativity, respect and responsibility. Based on this strategic brand positioning, TAM seeks to offer accessibility to all of those who value an efficient, rewarding, safe and hassle-free experience.

In 2014 LAN and TAM began a process to redefine the future brand strategy. The Company plans to move towards a single brand, although the launch date for the new brand has not yet been determined.

### *Distribution Channels*

In LAN and TAM we are aware of how important time is for our customers, which is why we are making efforts to minimize the curb to seat and seat to curb time for our customers. We are improving and optimizing our services and processes, in order to achieve a simple and digital end to end travel experience.



To support this, we have our distribution structure divided into direct and indirect distribution channels, both focused on improving their respective platforms to allow for the easiest interaction for our clients, in sales and services alike. Indirect channels currently include travel agencies, general sales agencies and also new players, such as online agencies.

Direct channels owned by LATAM are comprised of city ticket offices, contact-centers and e-Business (includes website, mobile, and smart business). These direct channels support sales and service, before and after flight if the passenger so requires. We have an extensive sales and marketing network in over thirty countries consisting of more than 300 domestic and international points-of-sale owned by LATAM.

In this regard, our e-Business channel is an integral part of our commercial, marketing and service efforts. Together with other direct sales initiatives, the website provides an important tool by bringing more benefits to our passengers and also by giving them more flexibility in the future, reducing time on queue for example. Internet-related sales have increased, reaching more than a total of US\$2,500 million sales in 2014.

We have also used our websites as tools to provide value-added content and enhance communications. We are continuously improving our websites, a key element of our new short-haul model, so that the technological platform will be able to support the expected future growth. We send weekly promotional e-mails to more than 16.9 million subscribers (8.7 million for LAN and 8.2 million for TAM). Members of our frequent flyer programs received their monthly balances and other information by e-mail and can access their data and redeem awards through our websites. In addition, we have an active online marketing program which brings visitors to the website from search engines and travel –related websites.

We are also developing several multi-platforms projects to improve passenger experience, both pre-and post-flight. We are continuously improving our website in order to more efficiently communicate flight status information, including information on available alternatives in case of change of schedules or other flight alterations. Another innovation is a smartphone app that enables both flight status verification and check in, providing an accessible electronic boarding pass to the passenger. To this date the app has over 1 million downloads in 20 different countries. Introduced in 2008, e-tickets have been issued for most LATAM routes and during 2010 we completed the implementation of interline e-ticketing with all of our oneworld® partners. By the end of 2013, we introduced electronic boarding passes accessible on smartphones currently operating in 72% of LAN routes and 88% of TAM routes.

We are continuously promoting the web-based check-in service for domestic and international flights. This system allows those passengers who are not checking-in bags to go directly to the gate, and the remaining checked-in passengers to leave their bags at a special bag drop counters and proceed to the gate. In addition to web-based check-in, we have self-check kiosks in Chile, Peru, Argentina, Ecuador, Venezuela, Uruguay, Brazil, Germany and Colombia. As of December 31, 2014, the airport kiosks and web check-in have high utilization rate in domestic routes of all countries (82% in Chile, 80% in Peru, 70% in Ecuador, 65% in Argentina, 60% in Brazil and 58% in Colombia).

LAN.com received “eCommerce Award Latam 2014” in Tourism. Additionally, TAM received the award Top of Mind Internet – DataFolha/UOLTravelers’ Choice Favorites - TripAdvisor® and LAN received an award in the airlines category “Company with the best online reputation” by the Mercado magazine in Argentina.

Our city ticket offices support the growth of ours operations, establishing a sales and service channel. We have approximately 100 city ticket offices, 78 airport ticket offices, 9 stands and 47 kiosks. In addition TAM significantly expanded its TAM Viagens store chain through franchises in the main cities across Brazil. LAN also expanded its direct channels through 27 general franchise sales agencies. We are developing a service system with a dedicated lobby to help us deliver a better service to our customers and to promote the self-service in our stands. Aiming to promote the e-Business channel, in almost all countries we charge a fee to customers for sales completed through our ticket offices or call centers, leaving the Internet as the only free-of-charge distribution channel.

Our contact-centers are a multi-service channel providing support in six languages (Spanish, English, Portuguese, French, German and Italian) and handling more than 46,500 calls/contacts per day, which mainly originate from the regions where we fly (South America, North America, Europe and Australasia). We also have third-party service providers located in Santiago, Lima, Buenos Aires, Bogotá, Florianopolis and Sao Paulo.

### **Frequent Flyer Programs**

During the year 2014, both LAN and TAM operated their loyalty independent programs, LANPASS and TAM Fidelidade, respectively, even though passengers enrolled in both programs were able to accumulate and redeem kilometers/points on any flight of the network managed by the two airlines and their associates.

Additionally, LATAM continued working on the cross recognition of these programs to offer its members similar features and benefits, in line with the process of harmonization of operations in which the company is committed in all areas. The initiatives include cross level recognition of all members, for example, by allowing LANPASS members to upgrade on TAM flights and TAM Fidelidade members to upgrade on LAN flights, in addition to having the same services at the airport, among other advances.



TAM joined the **oneworld**<sup>®</sup> alliance on March 31, 2014 and TAM Fidelidade customers, as LANPASS customers, are able to accrue points and redeem flights on **oneworld**<sup>®</sup> carrier flights.

During 2015 LANPASS and TAM Fidelidade will continue their programs harmonization efforts and will offer new cross benefits for their members.

### *LANPASS*

LAN's frequent Flyer Program, is a key element of LAN's marketing and loyalty strategy. The objective of LANPASS is to reward customer loyalty, and as a consequence, generate incremental revenue and customer retention. Worldwide, as of December 31, 2014, LANPASS had 9.8 million members, an increase of 15% than last year.

LANPASS members earn LANPASS kilometers in their accounts based on distance flown, class of ticket purchased and the elite level, or by using services of other partners in the LANPASS program. Customers can redeem kilometers for free tickets or other products in an online catalogue. Under our current frequent flyer program, our passengers are grouped in four different elite levels based on their flying behavior: Premium, Premium Silver, Comodoro and Black. These different groups determine which benefits customers are eligible to receive, such as free upgrades on a space-available basis, VIP lounge access and preferred boarding and check-in. These categories have their equivalent in the OneWorld alliance: Ruby for Premium, Sapphire for Premium Silver and Emerald for both Comodoro and Black.

In 2014 LANPASS had an increase of 18% in kilometers redeemed in award tickets, and 42% kilometers redeemed in non-flight products. LANPASS has highly rated partners, including other airlines, hotels, car rental agencies, retailers, and credit card issuers from the main financial institutions in Chile, Peru, Ecuador, Argentina Uruguay, United States and Colombia, including Banco de Bogotá and Occidente, who are both members of Grupo Aval. These partnerships give our customers the opportunity to earn additional kilometers for using their services. Regarding Chile, in 2014 Santander and LANPASS renewed its exclusive co-branding agreement for 5 more years, from 2016 to 2020, continuing a union which for 20 years has allowed thousands of members to accumulate kilometers to travel to Chile and the world.

In the non-banking segment, LANPASS continues to leverage its member's purchase behavior to partner with leading players in the markets and become the most attractive loyalty program in the home markets. In past years, LANPASS has entered into new industries, such as retail, supermarkets, automotive, real estate, drugstores and health care centers.

The LANPASS frequent flyer program aims to be the leading loyalty program in all of LAN's home markets. In the past few years, LAN has implemented a number of marketing initiatives to increase customer's engagement and activity with the program in all of its markets. In 2014, membership in LANPASS continued growing by 28% in Chile, 21% in Perú, 20% in Argentina, 7% in Ecuador, 10% in Colombia and 5% in the U.S.

### *TAM Fidelidade*

TAM's frequent flyer program, TAM Fidelidade, was the first loyalty program launched by a Brazilian airline and represents a key element in TAM's marketing strategy. LATAM believes TAM Fidelidade, as well as LANPASS, is one of the most flexible loyalty programs in the market because it imposes no restrictions on flights or the number of seats available when members redeem accumulated points. TAM Fidelidade currently has more than 11.7 million members, which represents an increase of 8% compared to the 10.9 million members in 2013.

Similarly to LANPASS, members of TAM Fidelidade receive benefits and increased points for miles flown depending on their elite level; allowing them to accrue redeemable points for free travel more quickly. TAM Fidelidade customers are classified in four different elite levels Azul, Vermelho, Vermelho Plus and Black, being their equivalent in the **oneworld**<sup>®</sup> alliance: Ruby for Azul, Sapphire for Vermelho and Emerald for both Vermelho Plus and Black.

### **Multiplus**

In 2009, TAM launched Multiplus, a company designed to create a broader network in which TAM's customers can earn points through the TAM Fidelidade Program. Multiplus is a coalition of loyalty programs that permits the accrual of points for redemption from products and services offered by many different partner companies, not just TAM. We believe this expanded network helps to capture and retain customers and increase sales. It is attractive to our less frequent flyers because it allows them to accrue loyalty points in many ways besides flying. At the end of 2014, Multiplus had more than 400 partners and approximately 13.8 million participants that can accrue Multiplus points directly (Tam Fidelidade, cobranded cards, app, etc.) and indirectly (by transferring points from a partner program) in over 13,000 retail establishments.



Multiplus became a publicly traded company in Brazil, following its initial public offering in February 2010. TAM continues to own 72.4% of the ordinary shares of Multiplus.

On December 10th, 2009, Multiplus entered into an Operating Agreement with TAM Linhas Aéreas (TLA), which established the terms and conditions governing the relationship with TLA and become effective as of January 1st, 2010. Under the Operating Agreement, Multiplus became responsible for, among other duties, processing information on accumulating and redeeming points under the TAM Loyalty Program and delivering awards to the members of said program, in accordance with the rules of the TAM Loyalty Program and the Multiplus network. The Operating Agreement is valid for 15 years.

On March 1, 2013, the companies approved a new amendment to the Operating Agreement (“11th Amendment”), effective as of June 1, 2013. This amendment extends the previously existing terms and conditions, but includes a more objective procedure for setting the ticket acquisition price to be paid by Multiplus and the point price to be paid by TLA. The amendment sets a fixed price to be paid by Multiplus during the initial transition and assessment phase, lasting from June 2013 until June 2014, such price being approximately 3% higher than the average price assessed in 2012. After this transition and assessment phase, the price to be paid by Multiplus per 10.000 points is adjusted to reflect the price variation of airline tickets in the market, but subject to a cap and floor of 5%. In case of major changes in the airline industry, the companies will have the right to negotiate in good faith a fair solution that takes into account such industry changes.

The remaining provisions established in the original Operating Agreement, including, without limitation, those relating to reciprocal exclusivity, term of effectiveness and situations for termination with or without cause, remained, in their essence, unchanged.

**Cargo Operations**

International and domestic cargo is operated by subsidiaries and affiliates under the LAN Cargo and TAM Cargo brands, which have significant market recognition. Our cargo business generally operates on the same route network used by our passenger airline business. It includes approximately 143 destinations, of which approximately 135 are served by passenger and/or freighter aircraft and approximately 9 are served only by freighter aircraft.

The following table sets forth certain of our cargo operating statistics for domestic and international routes for the periods indicated:

|  | Year ended and as at<br>December 31, |         |         |
|--|--------------------------------------|---------|---------|
|  | 2014                                 | 2013    | 2012    |
| ATKs (millions)                                      | 7,219.7                              | 7,651.9 | 6,449.5 |
| RTKs (millions)                                      | 4,317.2                              | 4,446.7 | 4,044.5 |
| Weight of cargo carried (thousands of tons)          | 1,102.2                              | 1,146.6 | 1,154.0 |
| Total cargo yield (cargo revenues/RTKs, in US cents) | 39.7                                 | 41.7    | 43.2    |
| Total cargo load factor (%)                          | 59.8%                                | 58.4%   | 62.7%   |

*We derive our revenues roughly equally between the transport of cargo as follows:*

*In the bellies of our passenger aircraft.* We consider our passenger network to be a key competitive advantage due to the synergies between passenger and cargo operations and, accordingly, we have developed a strategy to increase our competitiveness by enhancing our belly offering.

*In our own dedicated freighter fleet.* As of December 31, 2014, our dedicated freighter fleet consisted of 11 Boeing 767-300 freighters, with a capacity for 58 structural tons (52.7 tonnes) of freight each, and four Boeing 777-200 freighters, with a capacity of 102 structural tons (102 metric tons) of freight each. The aforementioned 11 Boeing 767-300, that considers two freighters sub-leased to an operator outside of Latin America, represents a decrease of 1 such aircraft relative to December 31, 2013. An additional 767-300F was also leased to the same operator and it is scheduled to leave our fleet during the first quarter of 2015 as part of our freighter fleet optimization program. Under this initiative, our freighter fleet was resized according to both the strategic objective of supporting our belly business and the need to maximize profitability. In Latin America, the principal origins of our cargo are Chile, Colombia, Perú, Ecuador, Brazil and Argentina, which represent a large part of our northbound traffic. This demand is mainly concentrated in a small number of product categories, such as exports of fish, sea products and fruits from Chile and asparagus from Peru, and exports of fresh flowers from Ecuador and Colombia.



For our southbound flights, Brazil is the main import market. Southbound demand is mainly concentrated in a small number of product categories including high-tech equipment, electronics, auto parts and pharmaceuticals.

Brazil is the largest of our cargo domestic operations where TAM Cargo remains the market leader, carrying cargo for a variety of customers, including other international air carriers, freight-forwarding companies, export oriented companies and individual consumers. In order to maintain its leadership, TAM Cargo continues to invest in infrastructure, service and security in key cargo terminals.

The United States accounts for the majority of the cargo traffic to and from Latin America. Besides being the main market for Latin American exports by air, the United States is also the main supplier of goods transported by air to Latin American countries.

Our international cargo operations are headquartered in Miami. This geographical location is a natural gateway for Latin American imports and exports to and from the United States. During 2013, LAN Cargo signed a contract with Miami Dade County to lease 66,000 square-feet to build a maintenance hangar with capacity to service a Boeing 777-200 freighter. Construction is underway and completion is expected for late 2015.

We transport cargo to and from six destinations in Europe: Amsterdam, Frankfurt, London, Madrid, Milan and Paris. The last five we serve via passenger aircraft, and additionally we serve Amsterdam and Frankfurt through freighter operations.

The evolution of our international cargo operations has always been affected by the flow imbalances of the Latin American cargo markets, resulting in a dramatic shift in the relative weight of southbound and northbound cargo flows throughout the years. We have designed our operations, route network and commercial strategies with the flexibility required to respond to changing conditions.

During 2014, cargo traffic decreased 3.3%, reflecting a challenging scenario in Latin American cargo markets mainly due to a decline in demand on routes from the U.S to Latin America, especially Brazil, which was affected by the FIFA World Cup, uncertainty surrounding presidential elections and lower economic growth. Additionally northbound demand was affected by a significant contraction of seed exports from Chile, partially offset by strong asparagus, flowers and fresh fruit export seasons.

Competition increased in the region as international and regional carriers added idle capacity to service cargo operations. Despite this increase in competition, we have been able to maintain solid market shares through an efficient utilization of our fleet and network. Today, on Latin America-United States routes, our main competitors are Centurion, AVIANCA Cargo, Atlas Air and American Airlines. On the Latin American-Europe routes, our main competitors are Cargolux, Lufthansa Cargo, Martinair, and Emirates Airlines.

#### *Cargo Agreements*

During 2014 we signed two Enhanced Cargo Transfer and Service Agreements with Korean Air and Cathay Pacific which aim to achieve more seamless interline transfers and improved service eventually leading to a larger Asia-Latin America market share, greater customer loyalty and improved belly load factors. We also have interline, code-sharing and other commercial agreements with other Asian carriers such as JAL, China Airlines, Air China and Nippon Cargo Airlines. Under these agreements we receive space allocations to move our cargo from the main gateways in Asia to hubs in the United States—Los Angeles, New York, Miami- and also in Europe where we can connect with our cargo network. In exchange, we provide these airlines with space from these same hubs in the United States and Europe to all Latin American destinations and also provide them with westbound cargo.

Since 2002, LAN Cargo and Lufthansa Cargo have operated pursuant to a block space agreement covering Europe and Latin America. As part of this agreement, we allocate space to Lufthansa Cargo on our flights between Frankfurt and Santiago, and Lufthansa Cargo allocates space to us on its flights between Frankfurt and Brazil.

#### *Marketing and Sales*

Our sales and marketing efforts are carried out directly where we have a local office, or through general sales agents. In Latin America we have our own offices in all key markets. In the United States, we have offices in Miami, New York and Los Angeles, and work with representatives in various other cities. In Europe, we have offices in Frankfurt, Amsterdam, Madrid and Paris and use agents in other key cities. In Asia, we added a new office in Hong Kong, and in other cities our sales efforts are conducted through general sales agents. In total, we maintain a network of more than thirty independent cargo sales agencies domestically and internationally.

Our cargo marketing strategy emphasizes the combination of our unique freighter and passenger aircraft cargo network, which offers a wide variety of reliable cargo routing possibilities with different pricing options; a strong connectivity to, from and within Latin America and a clear focus on providing a high-quality service for our clients. Our offering allows our customers to ship large, bulky freight, as well as smaller, high-density cargo, fresh products, express shipments, and other types of cargo.



During 2014 we focused on various aspects of our value chain to improve our customer experience. We improved connectivity and reception times at several key hubs, we became more electronically integrated with customers providing more accurate and timely information and we continued to improve our customer service through consolidation of our worldwide customer care teams and continuous improvement initiatives at our contact centers. Additionally we launched and improved specific products in certain routes, such as our Pharmaceuticals offering in the European market, providing our customers with a better air cargo service.

*Cargo Related Investigations*

See “Item 8. Financial Information—Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings.”

**Fleet**

*General*

As of December 31, 2014, we operated a fleet of 327 aircraft, comprised of 313 passenger aircraft and 13 cargo aircraft, as set forth in the following chart:

|   | Number of aircraft in operation |                      |                 | Average term of lease remaining (years) | Average age (years) |
|---|---------------------------------|----------------------|-----------------|---|---------------------|
|   | Total                           | Owned <sup>(1)</sup> | Operating Lease |   |                     |
| <b>Passenger aircraft<sup>(2)</sup></b> |                                 |                      |                 |   |                     |
| Airbus A320 Family Aircraft             |                                 |                      |                 |   |                     |
| Airbus A319-100                         | 52                              | 40                   | 12              | 5.4                                     | 7.8                 |
| Airbus A320-200                         | 158                             | 95                   | 63              | 3.3                                     | 6.7                 |
| Airbus A321-200                         | 21                              | 18                   | 3               | 7.4                                     | 2.7                 |
| Airbus A340 Family Aircraft             |                                 |                      |                 |   |                     |
| Airbus A340-300                         | 3                               | 3                    | 0               | 0.0                                     | 13.9                |
| Airbus A340-500                         | 0                               | 0                    | 0               | 0.0                                     | 0.0                 |
| Airbus A330-200                         | 13                              | 8                    | 5               | 1.8                                     | 10.5                |
| Boeing Aircraft                         |                                 |                      |                 |   |                     |
| Boeing 767-300ER                        | 38                              | 34                   | 4               | 3.8                                     | 6.9                 |
| Boeing B787-800                         | 10                              | 6                    | 4               | 11.1                                    | 1.1                 |
| Boeing B777-300ER                       | 10                              | 4                    | 6               | 4.0                                     | 3.7                 |
| Dash Aircraft                           |                                 |                      |                 |   |                     |
| Dash 8-200                              | 7                               | 2                    | 5               | 0.8                                     | 17.2                |
| Total passenger aircraft                | <u>312</u>                      | <u>210</u>           | <u>102</u>      | <u>3.9</u>                              | <u>6.8</u>          |
| <b>Cargo aircraft</b>                   |                                 |                      |                 |   |                     |
| Boeing 767-300 Freighter <sup>(3)</sup> | 11                              | 8                    | 3               | 1.9                                     | 10.5                |
| Boeing 777-200 Freighter                | 4                               | 2                    | 2               | 2.3                                     | 4.0                 |
| Total cargo aircraft                    | <u>15</u>                       | <u>10</u>            | <u>5</u>        | <u>2.1</u>                              | <u>8.5</u>          |
| <b>Total fleet</b>                      | <u>327</u>                      | <u>220</u>           | <u>107</u>      | <u>3.8</u>                              | <u>6.9</u>          |

- (1) Aircraft included within property, plant and equipment.
- (2) All passenger aircraft bellies are available for cargo.
- (3) In 2014, two cargo aircraft Boeing 767-300 Freighter were subleased to a third party.

The daily average hourly utilization rates of LATAM’s aircraft for each of the periods indicated are set forth below.

|                           | 2014 | 2013 | 2012 <sup>(1)</sup> |
|---------------------------|------|------|---------------------|
| <b>Passenger aircraft</b> |      |      |                     |
| Airbus A340-300           | 6.7  | 5.8  | 13.9                |
| Boeing 767-300 ER         | 10.5 | 10.1 | 12.1                |
| Boeing 787                | 10.5 | 5.6  | 3.7                 |
| Airbus A320 Family        | 9.8  | 10.3 | 10.2                |
| Boeing 777                | 12.9 | 13.6 |                     |
| Airbus A330               | 7.0  | 10.3 |                     |
| <b>Cargo aircraft</b>     |      |      |                     |
| Boeing 767-300 Freighter  | 7.9  | 8.3  | 13.5                |
| Boeing 777-200 Freighter  | 10.9 | 11.0 | 14.1                |

(1) 2012 does not include aircraft used in TAM’s operations.



We operate different aircraft types as we perform various different services ranging from short-haul domestic and regional trips to long-haul trans-continental flights. We have selected our aircraft based on the ability to effectively and efficiently serve these missions while trying to minimize the number of aircraft families we operate.

For short-haul domestic and regional flights we principally operate the Airbus A320-Family aircraft. The Airbus A320-Family has been incorporated into our fleet pursuant to operating leases or has been purchased directly from Airbus pursuant to various purchase agreements since 1999.

For long-haul passenger and cargo flights we operate the Airbus A330-200 aircraft, the Airbus A340-300 aircraft, the Boeing 767-300 passenger and cargo aircraft, the Boeing 777 passenger and cargo aircraft and, since the fourth quarter of 2012, the Boeing B787-816 aircraft.

### *Fleet Leasing and Financing Arrangements*

LATAM's financing and leasing methods include borrowing from financial institutions and leasing under financial leases, tax leases, sale-leaseback transactions and pure operating leases. As of December 31, 2014, LATAM had 327 aircraft, of which one each were in the redelivery process, in storage and on ground, resulting in 324 aircraft in operation. Of these aircraft, 161 are operated by LAN and 163 aircraft are operated by TAM.

As of December 31, 2014, LATAM's operating fleet was comprised of 203 financial leases, 17 tax leases, 99 operating leases and 5 aircraft as loan guarantees. Most of the LATAM's financial and tax leases are structured for a 12 year period. LATAM has 44 aircraft leases supported by the U.S. Export-Import Bank ("EXIM Bank") and 80 supported by the European Export Credit Agencies (the "ECAs"). LATAM's operating lease maturities range from 3 to 12 years.

LATAM's aircraft debt, which is comprised of financial and tax leases, is denominated in U.S. dollars and typically has quarterly amortization payments. Both the financial leases and tax leases have a bank (or group of banks) as counterparty; however, the latter has also a third party involved. In terms of interest rate, 68.2% of our aircraft debt has fixed rate and the balance has floating rate debt based on USD LIBOR. During 2014, LATAM refinanced all of its Boeing deliveries for the year with EX-IM guaranteed bonds.

Going forward, LATAM will be the entity that takes delivery and act as the lessee on all related leases of all aircraft for the group and has the ability to sublease them to other airlines of the group.

In order to reduce TAM's balance sheet FX exposure to the Brazilian real, LATAM plans to transfer the majority of the TAM aircraft under financial leases up to the LATAM level. As of December 31, 2014, 33 aircraft were transferred to LATAM which helped to reduce the exposure to less than US\$ 1 billion. See "Item 5—B. Liquidity and Capital Resources—Sources of financing" and "Item 5—B. Liquidity and Capital Resources—Capital Expenditures" for a description of expected sources of financing and expected expenditures on aircraft.

## **Maintenance**

### *LATAM's Maintenance*

Our heavy maintenance, line maintenance and component shops are equipped and certified to service our entire fleet of Airbus, Boeing and Bombardier aircraft. Our maintenance capabilities allow us flexibility in scheduling airframe maintenance, offering us an alternative to third-party maintenance providers.

### *LATAM Line Maintenance*

Our Line Maintenance Network operates in all the cities where LATAM operates, serviced by LATAM Maintenance staff in North and Latin America, and a mixed capacity between LATAM staff and external qualified outsourced providers in the rest of the world. LATAM Line Maintenance performs minor preventive and corrective maintenance tasks, which allows us to operate to all our destinations ensuring a safe operation of our aircraft and the compliance with local authorities' regulation and the approved maintenance plans for each model.





Our Line Maintenance Network comprises 133 stations in South America, 40 in North America and 17 in Europe and Oceania, which produced up to 2.4 million man-hours in 2014. Throughout the Network, Santiago, Sao Paulo and Miami are among the most extensive stations servicing our passenger and cargo fleet. We rely on third party services for certain maintenance support for our aircraft and engines, where we have long term partnerships with Lufthansa Technik, International Aero Engines, CFM International, Pratt & Whitney, General Electric and Air France KLM.

In 2014, we continued with the implementation of the LEAN philosophy in our engineering and maintenance organization, achieving results in reliability, availability and productivity. As part of this effort, we introduced iPads in our Santiago operation to allow a faster resolution of technical disruptions and to optimize resource management. Also, we launched an initiative to consolidate all LATAM technical documentation in one single portal, which can be accessed by mobile devices in any of our maintenance stations, which we expect to have up and running the first half of 2016. Finally, we continued with our continuous improvement program to encourage our staff to suggest and implement ideas that result in a safer workplace and more efficient processes.

All of our maintenance operations are supervised by the local authorities around the network, such as DGAC in Chile and ANAC in Brazil. These operations are subject to several recurrent external audits from civil aviation authorities and international entities, such as FAA, The International Air Transport Association Operational Safety Audit (“IOSA”) (from the International Air Transport Association or “IATA”) and the International Civil Aviation Organization (“ICAO”), among others, in order to strictly comply with applicable regulations. The audits are conducted in connection with each country’s certification procedures and enable us to continue to perform maintenance for aircraft registered in the certifying jurisdictions. Our repair station holds FAA Part-145 certifications under these approvals.

To ensure the best capabilities in our personnel needed for safe, accurate and on-time Line Maintenance, LATAM seeks to improve the technical, aeronautic regulatory, safety and documentation skills of its personnel. This is possible through their participation in extensive training programs at Technical Training LATAM Center and specific training programs designed and dictated by our partnerships. Also, the Fleet and Engineering teams participate actively in the periodical airline Fleet Reliability meetings, where we share best industry practices and updates of the latest Line Maintenance trends and top technical issues.

#### *LATAM MRO*

LATAM MRO Business Unit is responsible for our heavy maintenance (airframe) and components shops facilities that are equipped and certified to service our fleet of Airbus and Boeing aircrafts. One two MRO facilities, one in São Carlos (Brazil) and one in Santiago (Chile), provides 75% of all heavy maintenance services the entire group of airlines demands. The services not executed internally are contracted between our extensive network of MRO partners around the globe. Both MRO facilities are FAA Part-145 certified repair stations. We occasionally perform certain heavy maintenance and component services for other airlines or OEMs. LATAM MRO is also responsible for planning and execution of aircrafts redeliveries.

In MRO São Carlos (TAM MRO) we are prepared to service up to 9 (nine) aircrafts (narrowbody and widebodies) and 2 (two) regional/turboprop aircrafts simultaneously, with a dedicated hangar for stripping and painting. In that facility we also have 22 technical components shops, including full Landing Gear repair & overhaul shop, Hydraulics, Pneumatics, Electronics (ATEC), Electrical Components, Electroplating, Composites, Wheels & Brakes, Interiors and Emergency Equipment shops. This facility is also known as “São Carlos Technological Center” and has its own total area of 400 ha and hangar area of 100,000 m<sup>2</sup>, with a dedicated runway of 1,720 meters. MRO São Carlos is certified and audited by major international aeronautical authorities such as FAA (USA), EASA (Europe), ANAC Brazil, DGAC (Chile), ANAC Argentina, DGCA (Ecuador), DINAC (Paraguay), TC (Canada), among others, for Heavy Maintenance and Components Repair and Overhaul for Airbus A-320 family (A318, A319, A320 & A321) and Airbus A330, Boeing 767, ATR-42/72, and Embraer E-Jet 170/190 families. The MRO also has some minor capabilities for repair and overhaul of Airbus A340 and Boeing 777 components. MRO São Carlos includes its own support engineering capabilities, a full technical training center which develops MRO’s capabilities in terms of human skills with more than 6,000 students and 90,000 hours of training in 2014 providing 80 different basic courses, on-the-job training and special training such as structural, avionics, foreign language and leadership training and education.

In MRO Santiago, located near Comodoro Arturo Merino Benítez International Airport in Santiago, we have 2 hangars capable of servicing simultaneously 2 (two) widebody aircrafts and 1 (one) narrowbody aircraft in LAN Maintenance Base. MRO Santiago is certified and audited by FAA, ANAC Brazil, DGAC (Chile), ANAC Argentina, DGCA (Ecuador), among others for Heavy Maintenance for Airbus A320 family (A319, A320 & A321), Boeing 767 and 787. MRO Santiago has 8 (eight) shops prepared to support hangar activities, to designing and manufacture galleys, structures and composite materials. We also have the capability to retrofit aircraft interiors, including sophisticated IFE (in-flight entertainment) equipment, and blended winglets in the Boeing 767 fleet.

In 2014, we focused on the consolidation of the integration of MRO capabilities and processes started in 2013. In 2014, LATAM MRO effectively applied 2.5 million man-hours, serviced 274 aircrafts, including C, D and Special Checks for LATAM fleet and for third party customers, delivered approximately 60,000 components and performed 15 landing gear overhauls. In 2014, LATAM MRO serviced almost 100% of all LATAM’s Airbus A320 family and A330 demand for Heavy Maintenance, and 75% of demand for Components Repair & Overhaul. LATAM’s external maintenance and repair customers include Azul, Trip, Avianca, the Brazilian Air Force, Embraer, Goodrich, and Hamilton Sundstrand, among others.



In 2011, we started a turn-around process to achieve international MRO competitive standards in terms of costs, quality, reliability and time of deliveries (TAT). In 2012 we began to implement the LEAN system and other activities, including continuous process improvement culture, redesign of the production methodology in productive cells and scheduling of task through CCPM methodology (Critical Chain Project Management), development of shop-floor control systems and carry out VSM process modeling for Landing Gear shop. 2013 was the year of consolidation of these initiatives and in 2013 we accomplished a significant 7% reduction in turnaround times, increased on time performance and improved quality of our services (as measured by reductions in post-check failures and premature components failures). In 2014, we celebrated our achievement of one year without any accidents with lost days in MRO São Carlos and reduced the accidents in MRO Santiago by 40%.

**LATAM Safety and Security**

Our most important priority is the safety of our passengers and employees. LATAM has been working to standardize LAN and TAM’s operational indicators regarding safety, audits and emergency response. This process of identifying synergies in LAN and TAM’s operational indicators has led to opportunities to improve processes and standardize operational processes and audits.

Prior to the combination, both LAN and TAM had internal divisions in charge of the management of safety and security matters related to Flight Operations, Operative and Administrative buildings, Organization and Coordination of Emergency Response matters, Safety and Security Audits and Safety and Occupational Health. Today, the diversions that support these functions - -: Safety Management, Security Management, Emergency Response Management, Safety & Security Audit Management and Safety and Occupational Health Management– function on the basis of uniform policies and procedures.

*Safety Management*

We give high priority to providing safe and reliable air service. We have unified our Safety Management under a single organization that is responsible for defining the processes and procedures for the LATAM SMS and for oversight for the subsidiaries that apply and implement those processes and procedures.

LAN and TAM have documentation regarding SMS that provide clear definitions of the functions and responsibilities regarding operational safety for all persons involved, from the top to the bottom of the operational structure in the airline.

Both systems are IOSA certified and have a Safety Senior Manager who is responsible for each system implementation and for setting standardized procedures for measuring the quality and safety of services provided by companies or professional contractors that affect the operational safety of this organization.

Our corporate operational safety organization consists of three main areas:

- Risk Management, which is responsible for identifying hazards, assessing the risks involved and coordinating with operational areas (flight, maintenance, and ground and cargo operations). Risk Management operates the hazard identifying tools implemented in LATAM Airlines Group (Reports, Investigations, Change Management, Audits, LOSA and Flight Data Analysis).
- Safety Assurance and Safety Promotion, which is responsible for managing all Safety Indicators for visualizing the performance of operational areas regarding Safety, and for promoting a Safety Culture through communication and training.
- Technical Support, which is responsible for the maintenance of all software that is required to support the other areas, principally Flight Data and Safety Management in the AQD.

The Risk Management division has the following organization:

*Flight Data Monitoring*

The Flight Data Monitoring area is responsible for the maintenance and administration of recorded flight data and safety-related databases and software.

Flight Operations Quality Assurance—“FOQA” : LATAM has a Flight Data Monitoring (“FDM”) program implemented for collecting, processing and analyzing all flights for all LATAM’s fleet in all his AOCs. This program utilizes the data to produce statistical information to verify that recommended standard operational procedures are correctly done, and make changes if required as well as other safety-related measures. We have started the development of a maintenance variation for the same aircraft types which will monitor the engines, flight controls and general performance of the airplanes.



*Maintenance Safety Coordinator*

The Maintenance Safety area oversees our maintenance safety measures and investigates maintenance-related incidents using the Maintenance Error Decision Aid (“MEDA”) methodology.

*Cabin Safety Coordinator*

The Cabin Safety area coordinator is responsible for managing the safety of aircraft cabins, cabin safety investigations, cabin passengers and flight attendants.

*Investigation & Safety Information Management Coordination*

All information regarding safety-related incidents is entered into dedicated software, where it is analyzed according to potential risk. Important incidents are investigated thoroughly. Each particular incident requiring corrective actions is addressed accordingly with the assistance of the corporate operational safety directory.

*LOSA—Line Operations Safety Audit Coordinator*

This program is recognized by the International Civil Aviation Organization (“ICAO”) and the National Civil Aviation Agencies, both of which oversee our operations, as a necessary tool for protecting passengers and employees.

The implementation of this program has been used to improve flight safety in the Company, by recording behaviors observed during normal flights for experienced pilots and through the preparation of a mandatory checklist (form) developed by experienced pilots familiar with the program. Observations by the Threat and Error Management (“TEM”) may even propose appropriate changes to the system and processes.

*Security Management*

The main policy and the essential principle of the Company is to ensure adequate security protection for all of its flights, aircraft, passengers, crew members, ground personnel, airport facilities and other services related to the commercial civil aviation against any threat or unlawful action.

We have implemented corporate policies and a quality management system through the planning of audits and inspections to detect any lack of security in our operations and to prevent acts of unlawful interference. Risk analysis is used to determine different levels of security to be implemented in international and domestic operations.

Security Corporate Managers in LAN and TAM have the responsibility of evaluating, analyzing and assigning risk levels (high, medium, low) to international and domestic operations, and proposing security procedures for each scenario. The security management is controlled and audited constantly.

*Emergency Response Management*

The emergency response management team is responsible for the administration of the Emergency Response Plan (ERP). It has been developed for the effective management of different kinds of emergencies (aircraft accidents, natural disasters, strikes, pandemics) with the purpose of mitigating impacts of emergencies on passengers and their relatives, as well as the Company’s operations. The ERP includes, among others, Emergency Process and Procedures, Emergency control centers, Relatives & Passengers Assistance Team, Notification Team, Aircraft Recovery, and a “Go Team” which is a special team that will be dispatched in the case of an emergency and will assume the responsibility of emergency management.

*Safety and Security Audit Management*

The Safety and Security Audit Management area has the mission of advising senior management on issues related to plan and control, design, implementation, maintenance, documentation and observation of the improvement of the LATAM Safety and Quality Management System. An annual audit program of the operational processes is coordinated and carried out ensuring that the internal auditors follow the Quality System procedures and detect proactively the way to address any possible untreated risk.

*Safety and Occupational Health Management*

The main objective of the Safety and Occupational Health Management program is to ensure the safety and health of workers at work, by advising, managing and helping the company prevent occupational accidents and diseases through the identification and control of occupational hazards and medical surveillance. The foregoing objectives are satisfied through a dedicated team of professionals (engineers, doctors, risk prevention experts and paramedics), who constantly develop activities aimed at protecting LATAM employees.



**Fuel Supplies**

Fuel costs comprise the single largest category of our operating expenses. Over the last years, our fuel consumption and operating expenses have increased due to the significant growth in our operations. On the other hand, in the year 2014 due to the significant drop in the international price of crude oil, LATAM has seen also a drop in its Jet fuel costs. In 2014 total fuel costs represented 34.9% of our total operating expenses. The into-wing price for 2014, (average fuel price plus taxes and transportation costs, including hedge) was US\$3.36 per gallon, representing a decrease of 3.4% from the 2013 into-wing average fuel price. We can neither control nor accurately predict the volatility of fuel prices. Despite the foregoing, it is possible to partially offset the price volatility risk through our hedging and fuel surcharge programs in place in both our passenger and cargo business. For more information, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Risk of Fluctuations in Jet Fuel Prices.”

The following table details our consolidated fuel consumption and operating expenses, after related hedging gains and losses (which exclude fuel costs related to charter operations because fuel expenses are covered by the entity that charters the flight) during the last three years.

|   | Year ended December 31, <sup>(1)</sup> |             |           |
|---|--|-------------|-----------|
|   | 2014                                   | 2013        | 2012      |
| Fuel consumption (thousands of gallons)                               | 1,219,882.7                            | 1,266,718.6 | 948,419   |
| ASKs Equivalent (millions)  | 206,197.9                              | 212,236.8   | 161,207.6 |
| Fuel consumption (thousands of gallons) per ASK Equivalent (millions) | 59.2                                   | 59.7        | 58.8      |
| Total fuel costs (US\$ thousands)                                     | 4,170,848                              | 4,414,249   | 3,434,569 |
| Cost per gallon (US\$)  | 3.42                                   | 3.48        | 3.69      |
| Total fuel costs as a percentage of total operating expenses          | 34.88%                                 | 34.97%      | 36.41%    |

<sup>(1)</sup> See “Item 5. Operating and Financial Review and Prospects—Operating Results—LATAM Airlines Group Financial Results Discussion: Year ended December 31, 2014 compared to year ended December 31, 2013”. Total fuel costs (US\$ thousands) include Hedging gains/losses.

Our fuel supply arrangements vary by airport and are distributed among 29 providers, but are mainly concentrated in Brazil (43%), Chile (13%), United States (12%) and Perú (10%). During 2014, we negotiated our fuel supply in major European, North American and South American airports. We also negotiated around 15% of our fuel supply in Santiago and most of the regions of Chile.

In 2014, we also signed a long term contract with Pure Biofuels in Lima and with Puma Aviation in Asunción, Paraguay. In North America our main airports are Miami and New York, where we signed contracts with WFS securing our supply in complex markets.

In Argentina, Brazil, Colombia, Ecuador, Mexico, Paraguay and Uruguay, we continued working with our current suppliers (including Raizen/Shell, YPF, Petrobras, Petro Peru, Repsol, Petroecuador, Terpel, Axion, among others.) regarding our fuel supply arrangements in these countries and many of these supply agreements will be negotiated during 2015.

**Ground Facilities and Services**

Our main operations are based at the Comodoro Arturo Merino Benítez International Airport in Santiago, Chile, where we operate hangars, aircraft parking and other airport service facilities at the Comodoro Arturo Merino Benítez International Airport pursuant to concessions granted by the DGAC. We also maintain a customs warehouse at the Comodoro Arturo Merino Benítez International Airport, additional customs warehouses in Chile (Iquique, Antofagasta and Punta Arenas) and Argentina (Aeroparque) and operate cargo warehouses at the Miami International Airport to service our cargo customers. Our facilities at Miami International Airport include corporate offices for our cargo and passenger operations and temperature-controlled and freezer space for imports and exports. We also operate from various other airports in Chile and abroad.

We also operate significant ground facilities and services through TAM’s headquarters located at Congonhas International Airport in São Paulo, Brazil. In 2013, we inaugurated two new facilities for ground handling equipment maintenance and repair at São Paulo’s Guarulhos Airport with 9,000 m<sup>2</sup> and at Rio de Janeiro’s Galeão Airport with 4,000 m<sup>2</sup>.

Finally, we incur certain airport usage fees and other charges for services performed by the various airports where we operate, such as air traffic control charges, take-off and landing fees, aircraft parking fees and fees payable in connection with the use of passenger waiting rooms and check-in counter space.



## Ancillary Airline Activities

In addition to our airline operations, we generate revenues from a variety of other activities, including aircraft leases (including subleases, dry-leases, wet-leases and capacity sales to certain alliance partners) and charter flights, tours, duty-free in-flight sales, other maintenance, storage and customs, handling and activities and revenues of Multiplus. In 2014, LATAM generated other revenues of US\$378 million from ancillary activities.

## Insurance

We maintain insurance policies as required by law and in accordance with the terms of all aircraft leasing agreements which LATAM and their affiliates and subsidiaries may own or we are responsible for or operate, including TAM and its affiliates and subsidiaries. The scope of these policies includes all risk coverage for aircraft hulls, including war risks and third party legal liability for passengers, cargo, baggage and injuries to third parties on the ground. Our current policies, which are in force through April 1, 2015 and are renewed annually, follow the best practices adopted by the international civil aviation industry.

We have negotiated common terms for Hull All Risk, Aviation Legal Liabilities and Spares coverage, together with IAG Group (British Airways, Iberia and their affiliates and franchises), which allows us to obtain premium reductions and coverage improvements. We also maintain insurance in respect of the assets against the risk of theft, fire, flood, electrical damage and similar events for equipment and buildings we own or for which we are responsible, including airport areas where we have operations. Similarly, we have contracted for vehicle insurance against the risk of robbery, theft, fire and civil liability against third parties for all vehicles we own or for which we are responsible.

## Information Technology

### *Passenger Service Systems*

As part of the Single Agenda of Transformation of the Customer Experience at LATAM, we have redefined our travel experience model and will continue to redesign our passenger service systems with the aim of providing a unified experience to our customers. Since the association between LAN and TAM was announced in 2012, a series of projects have been implemented to foster company among customers the perception that they are a single company offering equivalent services. Intense efforts have been made to standardize processes such as passenger recognition, attention at contact centers, sales offices and airports, in-flight services, e-commerce, loyalty programs, etc. However, many of these efforts are partial pending full unification of the two companies' processes and systems, which is still ongoing.

In 2014, we redefined our travel experience model was based on the needs of our target customer, reinforcing six key elements:

- Transparency of information;
- Early solutions;
- Passenger choice;
- Digital simplicity;
- End-to-end rapidity; and
- Care for our customer.

All these elements call for the development of new processes with strong technological support. This, in turn, requires a robust and consistent technological model meets the new standard of service we offer to passengers and guarantees the continuity of business processes.

In order to address this challenge, we drew up an aggressive and robust three-year plan of work, with focus on the customer throughout 2015. This plan includes the design of new processes and selection of the definitive platforms that will be part of LATAM Group's new solution. Under this plan, we will review the current status of each area of work involved in the travel experience, compare it to the desired technological end state, and establish a roadmap that is consistent with both customer perceptions and internal processes. Examples of the many areas of work to be considered include:

- Boosting the passenger mobile and web applications, into which almost all the processes used by our customers can gradually be included, in accordance with the concept of self-management and simplicity;



- Mobile application for personnel in contact with customers both at the airport and through in-flight services, with online provision of the information required to offer the best passenger service from any location;
- Management of contingencies, providing information tools to both the customer and our contact personnel, notification of passengers through special channels, information about flights and contingencies at all times, self-management of flight options and automatic reassignment tools;
- Airport self-service both at multi-function kiosks and in baggage self-labeling processes;
- Unification of the customer database for effective recognition that permits a consistent service;
- Unification of the LAN and TAM passenger loyalty programs.

Implementation of many of these processes also calls for consistent work to unify customer service support systems. To this end, work has been undertaken to select the necessary end-game tools that meet the identified challenges and is compatible with our technological standards. In furtherance of this goal, we have either selected the best tools already available at LAN or TAM or have opted to implement new tools, in which case a selection process is launched.

The design and implementation of this plan for the next three years form part of the so-called Single Agenda of Transformation of the Customer Experience at LATAM.

#### *LATAM host and digital world*

In the case of passenger management systems, LAN and TAM adopted different solutions in 2012 and 2009, respectively.

TAM's migration to Amadeus in 2009 included standardization of processes and solid preparation of the technological platform for joining Star Alliance in 2010. TAM implemented a complete end-to-end solution with Amadeus, including inventory, bookings, electronic sale of tickets, mobile solutions, kiosk, check-in and loading solutions.

LAN migrated to Sabre in 2012 and similarly focused on improving processes and a robust solution. The scope of Sabre's implementation included inventory, bookings, ticket sales, kiosk, check-in and loading. LAN's approach differed from that of TAM in that all e-commerce and mobile solutions were provided by partners or developed internally.

After the combination, LATAM decided to unify the Passenger Service Platform in a quest for operational and financial synergies. As a result of this, the project of migration of the current LAN and TAM platforms began in 2014.

This project comprises three phases. The first seeks to evaluate the technical and functional capacities of the partners with which Sabre (LAN) and Amadeus (TAM) were operated and to negotiate better commercial conditions for LATAM. Selection of the supplier will be followed in the second phase by a draft establishing all the requirements and the implementation plan and, once this has been completed, announcement of the Go Live date. Finally, the third phase consists in the project's implementation.

LATAM has announced that, in parallel with the migration of the passenger service platform, it will make an important investment in its digital platform as part of its strategy to improve services and its customers' travel experience. Through innovation and best practices, the digital platform will be enhanced, focusing on the business priorities for e-commerce and mobile solutions.

#### *Maintenance*

In 2010, after a 2.5-year implementation process, LAN started production of the MXI (Maintenix) solution for maintenance of its fleets in accordance with aviation regulation. This solution integrates Maintenance and Procurement and Logistical Management of Components (parts and spares) processes in a single IT tool.

In 2010, TAM evaluated adoption of the same solution but postponed its implementation.

In 2013, TAM began implementation of a 2.5-year Maintenix implementation project that is scheduled for completion by the end of 2015. This project includes standardization of LAN's and TAM's maintenance processes, permitting optimization of stocks of components and seeking to take advantage of synergies in the maintenance process, while operational safety remains the key pillar of its implementation. This solution also takes into account the specific nature of financial, accounting and tax processes in Brazil.

#### *ERP LATAM*

In January 2015, the SAP platform (ERP ECC 6.0, EHP 3.0) was implemented at TAM, adapted to Brazil's financial and procurement needs. This project forms part of LATAM's IT strategy, defined in 2012 and known as PMI (Post Merger Integration), which contains the roadmap for integration of all LATAM's systems.



This project implements unification of the company's information systems and the integration of LATAM Group's finance and procurement processes standardizes the technological platform for these processes and consolidates the Group's organizational structure, implying better control mechanisms and a greater analytical capacity to support decision-making.

The project is currently at the stage of stabilization and transfer of control to the SAP team which will be responsible for business continuity and support.

Implementation of another PMI project also began in the last quarter of 2014. This consists in the integration of LATAM Group's human resources processes and technological platforms. Its aim is to implement in TAM the SAP modules for Payroll, Personnel Administration, Organizational Development, Compensation, Recruitment and Selection. This project is scheduled to be in operation in the second quarter of 2016.

#### *Central IT*

At the level of central IT infrastructure, a PMI project is currently being implemented to address solutions (servers, communications, network, etc.) that permit operation of the systems which support unified business processes at the LATAM level.

Data Centers and Central Infrastructure: At present, LATAM has two data centers in Chile and two in Brazil. Design of a configuration of two data centers and a DRP for LATAM is expected to be completed at the end of the second quarter of 2015 and their implementation will subsequently begin.

#### *Communications and Telephony*

In the case of communications and telephony, the LATAM solution on which work began in 2013 was implemented in 2014. This solution includes links within the two countries, a high-speed Santiago-São Paulo connection, back-up solutions and fixed-line and mobile telephony. At present, LATAM's principal suppliers are Telefónica, SITA and OI.

#### **Regulation**

Below is a brief reference to the material effects of aeronautical and other regulations in force in each of the relevant jurisdictions in which LAN and its subsidiaries operate.

#### *Chile*

##### *Aeronautical Regulation*

Both the DGAC and the JAC oversee and regulate the Chilean aviation industry. The DGAC reports directly to the Chilean Air Force and is responsible for supervising compliance with Chilean laws and regulations relating to air navigation. The JAC is the Chilean civil aviation authority. Primarily on the basis of Decree Law No. 2,564, which regulates commercial aviation, the JAC establishes the main commercial policies for the aviation industry in Chile, regulates the assignment of international routes, and the compliance with certain insurance requirements, and the DGAC regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management. We have obtained and maintain the necessary authority from the Chilean government to conduct flight operations, including authorization certificates from the JAC and technical operative certificates from the DGAC, the continuation of which is subject to the ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

Chile is a contracting state, as well as a permanent member, of the ICAO, an agency of the United Nations established in 1947 to assist in the planning and development of international air transport. The ICAO establishes technical standards for the international aviation industry, which Chilean authorities have incorporated into Chilean laws and regulations. In the absence of an applicable Chilean regulation concerning safety or maintenance, the DGAC has incorporated by reference the majority of the ICAO's technical standards. We believe that we are in material compliance with all relevant technical standards.

##### *Route Rights*

*Domestic Routes.* Chilean airlines are not required to obtain permits in connection with carrying passengers or cargo on any domestic routes, but only to comply with the technical and insurance requirements established respectively by the DGAC and the JAC. There are no regulatory barriers that would prevent a foreign airline from creating a Chilean subsidiary and entering the Chilean domestic market using that subsidiary. On January 18, 2012 the Secretary of Transportation and the Secretary of Economics of Chile announced a unilateral opening the Chilean domestic skies. This was confirmed on November 2013, and it is in force since that date.



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





International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Chile and foreign governments. Under such agreements, the government of one country grants the government of another country the right to designate one or more of its domestic airlines to operate scheduled services to certain destinations of the former and, in certain cases, to further connect to third-country destinations. In Chile, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. If there is more than one applicant for a route frequency the JAC awards it through a public auction for a period of five years. The JAC grants route frequencies subject to the condition that the recipient airline operate them on a permanent basis. If an airline fails to operate a route for a period of six months or more, the JAC may terminate its rights to that route. International route frequencies are freely transferable. In the past, we have generally paid only nominal amounts for international route frequencies obtained in uncontested auctions.

*Airfare Pricing Policy.* Chilean airlines are permitted to establish their own domestic and international fares without government regulation. For more information, see “—Antitrust Regulation” below. In 1997, the Antitrust Commission approved and imposed a specific self-regulatory fare plan for our domestic operations in Chile consistent with the Antitrust Commission’s directive to maintain a competitive environment. According to this plan, we must file notice with the JAC of any increase or decrease in standard fares on routes deemed “non-competitive” by the JAC and any decrease in fares on “competitive” routes at least twenty days in advance. We must file notice with the JAC of any increase in fares on “competitive” routes at least ten days in advance. In addition, the Chilean authorities now require that we justify any modification that we make to our fares on non-competitive routes. We must also ensure that our average yields on a non-competitive route are not higher than those on competitive routes of similar distance.

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

- a natural person who is a Chilean citizen; or
- a legal entity incorporated in and having its domicile and principal place of business in Chile and a majority of the capital stock of which is owned by Chilean nationals, among other requirements established in article 38 of the CAC.
- The Aeronautical Code expressly allows the DGAC to permit registration of aircraft belonging to non-Chilean individuals or entities with a permanent place of business in Chile. Aircraft owned by non-Chileans, but operated by Chileans or by an airline which is affiliated with a Chilean aviation entity, may also be registered in Chile. Registration of any aircraft can be cancelled if it is not in compliance with the requirements for registration and, in particular, if:
  - the ownership requirements are not met; or
  - the aircraft does not comply with any applicable safety requirements specified by the DGAC.

*Safety.* The DGAC requires that all aircraft operated by Chilean airlines be registered either with the DGAC or with an equivalent supervisory body in a country other than Chile. All aircraft must have a valid certificate of airworthiness issued by either the DGAC or an equivalent non-Chilean supervisory entity. In addition, the DGAC will not issue maintenance permits to a Chilean airline until the DGAC has assessed the airline’s maintenance capabilities. The DGAC renews maintenance permits annually, and has approved our maintenance operations. Only DGAC-certified maintenance facilities or facilities certified by an equivalent non-Chilean supervisory body in the country where the aircraft is registered may maintain and repair the aircraft operated by Chilean airlines. Aircraft maintenance personnel at such facilities must also be certified either by the DGAC or an equivalent non-Chilean supervisory body before assuming any aircraft maintenance positions.

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

*Airport Policy.* The DGAC supervises and manages airports in Chile, including the supervision of take-off and landing charges. The DGAC proposes airport charges, which are approved by the JAC and are the same at all airports. Since the mid-90s, a number of Chilean airports have been privatized, including the Comodoro Arturo Merino Benítez International Airport in Santiago. At the privatized airports, the airport administration manages the facilities under the supervision of the DGAC and JAC.

*Environmental and Noise Regulation.* There are no material environmental regulations or controls imposed upon airlines, applicable to aircraft, or that otherwise affect us in Chile, except for environmental laws and regulations of general applicability. There is no noise restriction regulation currently applicable to aircraft in Chile. However, Chilean authorities are planning to pass a noise-related regulation governing aircraft that fly to and within Chile. The proposed regulation will require all such aircraft to comply with certain noise restrictions, referred to in the market as Stage 3 standards. LAN’s fleet already complies with the proposed restrictions so we do not believe that enactment of the proposed standards would impose a material burden on us.



Argentina

*Aeronautical Regulation*

Both the *Administración Nacional de Aviación Civil* (“ANAC”) and the Secretary of Transport oversee and regulate the Argentinean aviation industry. ANAC regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management, and reports indirectly to the Ministry of Planning and is responsible for supervising compliance with Argentinean laws and regulations relating to air navigation. The Secretary of Transport also reports to the Ministry of Planning and regulates the assignment of international routes and matters related to tariff regulation policies. We have obtained and maintain the necessary authorizations from the Argentinean government to conduct flight operations, including authorization certificates and technical operative certificates from ANAC, the continuation of which is subject to the ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

Argentina is a contracting state and a permanent member of the ICAO, an agency of the United Nations established in 1947 to assist in the planning and development of international air transport. The ICAO establishes technical standards for the international aviation industry, which Argentinean authorities have incorporated into Argentinean laws and regulations. In the absence of applicable Argentinean regulation concerning safety or maintenance, the ANAC has incorporated by reference the majority of the ICAO’s technical standards. We believe that we are in material compliance with all relevant technical standards.

*Route Rights*

*Domestic Routes.* In Argentina airlines are required to obtain permits in connection with carrying passengers or cargo on any domestic routes, and to comply with the technical requirements established by the local authority. There are no regulatory barriers preventing a foreign airline from creating an Argentine subsidiary and entering the Argentine domestic market using that subsidiary. However, ownership of such subsidiary by the foreign airline may not be direct, but through a subsidiary formed in Argentina, which in turn may be directly or indirectly owned by the foreign company. However, such subsidiary should operate Argentine registered aircraft and employ Argentine aeronautical personnel.

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

International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Argentina and foreign governments. Under such agreements, the government of one country grants the government of another country the right to designate one or more of its domestic airlines to operate scheduled services to certain destinations of the former and, in certain cases, to further connect to third-country destinations. In Argentina, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. ANAC grants route frequencies subject to the condition that the recipient airline operate them on a permanent basis. If an airline fails to operate a route for a period of six months or more, the ANAC may terminate its rights to that route.

*Airfare Pricing Policy.* Argentine airlines are permitted to establish their own international fares without government regulation, as long as they do not abuse any dominant market position they may enjoy. Yet, there are government-fixed maximum and minimum prices for domestic flights.

*Registration of Aircraft.* Aircraft registration in Argentina is governed by the Argentinean Aeronautical Code (“AAC”). In order to register or continue to be registered in Argentina, an aircraft must be wholly owned by either:

- a natural person who is an Argentinean citizen; or
- a legal entity incorporated in and having its domicile and principal place of business in Argentina and a majority of the capital stock of which is owned, directly or indirectly, by Argentinean nationals, among other requirements established in the AAC.

*Safety.* ANAC requires that all aircraft operated by Argentinean airlines be registered with ANAC. All aircraft must have a valid certificate of airworthiness issued by ANAC. In addition, ANAC will not issue maintenance permits to an Argentinean airline until ANAC has assessed the airline’s maintenance capabilities. ANAC renews maintenance permits periodically and approves maintenance operations once the airline initiates its operations and each time an airline changes its maintenance regime. Only ANAC-certified maintenance facilities (in Argentina or in any other country) may maintain and repair the aircraft operated by Argentinean airlines. Aircraft maintenance personnel at such facilities must also be certified by ANAC before assuming any aircraft maintenance positions.



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

*Airport Policy.* The ORSNA (*Organismo Regulador del Sistema Nacional de Aeropuertos*) supervises and manages the airports in Argentina, including the supervision of take-off and landing charges. The ORSNA proposes airport charges, which are approved by ANAC and are the same at all airports. Nevertheless, while domestic flights are charged in local currency, international flights are charged in U.S. dollars. Since the late-90s, a number of Argentinean airports have been privatized, including Aeroparque and Aeropuerto Internacional de Ezeiza Ministro Pistarini in Buenos Aires, the two most important airports in Argentina. At the privatized airports, the airport administration manages the facilities under the supervision of ANAC and ORSNA.

*Environmental and Noise Regulation.* There are no material environmental regulations or controls imposed upon airlines, applicable to aircraft, or that otherwise affect us in Argentina, except for environmental laws and regulations of general applicability and noise restriction regulation currently applicable to aircraft in Argentina. Any aircraft operated by an Argentinean airline should comply with certain noise restrictions, specifically with Stage 3 standards, as set forth in chapter 91.805 of the Argentinean civilian aviation regulations (*Regulaciones Argentinas de Aviación Civil*) referred to in the market as Stage 3 standards. LAN's fleet already complies with the proposed restrictions so we do not believe that enactment of the proposed standards would impose a material burden on us.

*Peru*

*Aeronautical Regulation*

The Peruvian DGAC ("PDGAC") oversees and regulates the Peruvian aviation industry. The PDGAC reports directly to the Ministry of Transportation and Communications and is responsible for supervising compliance with Peruvian laws and regulations relating to air navigation. In addition, the PDGAC regulates the assignment of national and international routes, and the compliance with certain insurance requirements, and it regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management. We have obtained and maintain the necessary authorizations from the Peruvian government to conduct flight operations, including authorization and technical operative certificates, the continuation of which is subject to the ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

Peru is a contracting state and a permanent member of the ICAO. The ICAO establishes technical standards for the international aviation industry, which Peruvian authorities have incorporated into Peruvian laws and regulations. In the absence of an applicable Peruvian regulation concerning safety or maintenance, the PDGAC has incorporated by reference the majority of the ICAO's technical standards. We believe that we are in material compliance with all relevant technical standards.

*Route Rights*

*Domestic Routes.* Peruvian airlines are required to obtain permits in connection with carrying passengers or cargo on any domestic routes and to comply with the technical requirements established by the PDGAC. Non-Peruvian airlines are not permitted to provide domestic air service between destinations in Peru.

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

International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Peru and foreign governments. Under such agreements, the government of one country grants the government of another country the right to designate one or more of its domestic airlines to operate scheduled services to certain destinations of the former and, in certain cases, to further connect to third-country destinations. In Peru, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. If there is more than one applicant for a route frequency the PDGAC awards it through a public auction for a period of four years. The PDGAC grants route frequencies subject to the condition that the recipient airline operate them on a permanent basis. If an airline fails to operate a route for a period of 90 days or more, the PDGAC may terminate its rights to that route, although that has never happened in practice.

*Airfare Pricing Policy.* Peruvian airlines are permitted to establish their own domestic and international fares without government regulation, as long as they do not abuse any dominant market position they may enjoy. For more information, see "—Antitrust Regulation" below. Airlines or other interested parties may file complaints before the Institute for Protection of Fair Competition and Consumer Rights ("Indecopi") with respect to monopolistic or other pricing practices by other airlines that violate Peru's antitrust laws.



*Registration of Aircraft.* Aircraft registration in Peru is governed by the Peruvian Civil Aviation Law. In order to own and register a Peruvian aircraft, the following conditions shall apply:

- In case of a natural person, the owner shall be a Peruvian citizen; or in case of a foreign person, the owner shall be permanently domiciled in Peru; or
- In case of a legal entity, it shall be incorporated in and having its domicile and principal place of business in Peru among other requirements established in article 47 of the Peruvian Civil Aviation Law.
- Aircraft owned by non-Peruvians citizens or entities with domicile in Peru may also be registered in Peru but only if the aircraft is used for general, not commercial aviation. Registration of any aircraft can be cancelled if it is not in compliance with the requirements for registration mentioned above and, in particular, if the aircraft does not comply with any applicable safety requirements specified by the PDGAC.

*Safety.* Peruvian law allows the use of aircraft that are registered either with the PDGAC or with an equivalent supervisory body in a country other than Peru. All aircraft must have a valid certificate of airworthiness issued by either the PDGAC or an equivalent non-Peruvian supervisory entity. In addition, the PDGAC will issue maintenance permits to a Peruvian airline as long as the PDGAC has assessed the airline’s maintenance capabilities. The PDGAC has approved our maintenance operations. Only PDGAC-certified maintenance facilities or facilities certified by an equivalent non-Peruvian supervisory body in the country where the aircraft is registered may maintain and repair the aircraft operated by Peruvian airlines. Aircraft maintenance personnel at such facilities must also be certified either by the PDGAC or an equivalent non-Peruvian supervisory body before be appointed to any aircraft maintenance positions.

*Security.* The PDGAC establishes and supervises the implementation of security standards and regulations for the Peruvian commercial aviation industry. Such standards and regulations are based on standards developed by international commercial aviation organizations. Each airline and airport in Peru must submit an aviation security handbook to the PDGAC describing its security procedures for the day-to-day operations of commercial aviation and procedures for staff security training. LAN Peru has submitted its aviation security handbook to the PDGAC. Peruvian airlines that operate international routes must also adopt security measures in accordance with the requirements of applicable bilateral international agreements.

*Airport Policy.* CORPAC supervises and manages airports in Peru, including the supervision of take-off and landing charges. CORPAC sets airport charges for navigation facilities, which may differ from airport to airport. Since the mid-90s, a number of Peruvian airports have been privatized, including the Aeropuerto Internacional Jorge Chávez in Lima. At the privatized airports, the airport administration manages the facilities under the supervision of the *Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público*, (the Supervising Agency of Investment in Public Transport Infrastructure Facilities or “OSITRAN”), an independent regulatory and supervising entity.

*Environmental and Noise Regulation.* There are no specific material environmental regulations or controls imposed upon airlines, applicable to aircraft, or that otherwise materially affect us in Peru, except for environmental laws and regulations of general applicability. There are noise restriction regulations currently applicable to aircraft in Peru. LAN’s fleet complies with the proposed restrictions so they do not impose a material burden on us.

*Ecuador*

*Aeronautical Regulation*

There are two institutions that control commercial aviation on behalf of the State: (i) The National Civil Aviation Board (“CNAC”), which directs aviation policy; and (ii) the General Civil Aviation Bureau (“EDGAC”), which is a technical regulatory and control agency. The CNAC issues operating permits and grants operating concessions to national and international airlines. It also issues opinions on bilateral and multilateral air transportation treaties, allocates routes and traffic rights, and approves joint operating agreements such as wet leases and shared codes.

Fundamentally, the EDGAC is responsible for:

- ensuring that the national standards and technical regulations and international ICAO standards and regulations are observed;
- keeping records on insurance, airworthiness and licenses of Ecuadorian civil aircraft;
- maintaining the National Aircraft Registry;
- issuing licenses to crews; and
- controlling air traffic control inside domestic air space.



The EDGAC also must comply with the standards and recommended methods of the ICAO since Ecuador is a signatory of the 1944 Chicago Convention.

### *Route Rights*

*Domestic Routes.* Airlines must obtain authorization from CNAC (an operating permit or concession) to provide air transportation. For domestic operations, only companies incorporated in Ecuador can operate locally, and only Ecuadorian-licensed aircraft and dry leases are authorized to operate domestically.

*International Routes.* Permits for international operations are based on air transportation treaties signed by Ecuador or, otherwise, the principle of reciprocity is applied. All airlines doing business in Latin America that are incorporated in countries that are members of the *Comunidad Andina de Naciones* (the Andean Community, or "CAN") obtain their traffic rights on the basis of decisions currently in force under that regime, in particular decision N°582 of 2004, which guarantee free access to markets, with no type of restriction except technical considerations.

Shared codes are allowed in Ecuador after authorization by the CNAC, but the respective airlines must have the relevant traffic rights.

*Airfare Pricing Policy.* On October 13, 2011, The Statutory Law of Regulation and Control of the Market Power was passed with a purpose to avoid, prevent, correct, eliminate and sanction the abuse of economic operators with market power, as well as to sanction restrictive, disloyal and agreements involving collusive practices. This Law creates a new public entity as the maximum authority of application and establishes the procedures of investigation and the applicable sanctions, which are severe. Rates are not regulated and are subject only to registration. In general, bilateral treaties regarding air transportation provide for airfares to be regulated by the regulation of the country of origin.

*Registration of Aircraft.* The legislation allows Ecuadorian companies to provide international air transportation services using aircraft licensed in Ecuador and aircraft with a foreign license, always provided the latter are exploited under dry leases. For domestic operations, aircraft is authorized only pursuant to dry leases and Ecuadorian registration. Aircraft interchange agreements are also allowed for international operations, provided that the aviation authority can confirm that the aircraft is under the operational control of an Ecuadorian operator. Wet leases are permitted, but very restricted.

*Safety.* In order to ensure aviation safety, the EDGAC requires that the airline hold an Air Operator Certificate and have Operating Specifications that are examined technically and rigorously to ensure compliance with the Civil Aviation Technical Regulations, which are essentially the same as the Federal Aviation Regulations ("FAR") of the FAA. They cover matters of aircraft airworthiness, certification of maintenance facilities, and oversight by the EDGAC.

*Security.* The governing rules also apply to security in respect of the EDGAC. There are regulations, manuals and procedures on airport security overseen by the EDGAC.

*Airport Policy.* The international airports in Quito and Guayaquil are managed under administrative concessions, and the EDGAC merely controls air traffic. Fees for the use of airport facilities, terminal fees, landing fees, parking fees are all overseen and collected by the operator. Over-flight and approach fees are controlled and collected by the EDGAC.

*Environmental and Noise Regulation.* Aircraft must comply with the standards of category 3 under Ecuadorian applicable noise regulations, as set forth in Executive Decree (*Decreto Ejecutivo*) 1,405, enacted on October 24, 2008, which provides certain technical specific criteria. Beginning in May 2010, aircraft must comply with standards of category 4 under cited regulation. Category 3 provides for compliance with ICAO regulations and technical conditions mandatory in the United States of America.

## *United States of America*

### *Aeronautical Regulation*

Operations to and from the United States by non-U.S. airlines, such as LAN, are subject to Title 49 of the U.S. Code, under which the Department of Transportation ("DOT") and the FAA exercise regulatory authority. The DOT has jurisdiction over international aviation in connection with the United States, subject to review by the President of the United States. The DOT also has jurisdiction with respect to unfair practices and methods of competition by airlines and related consumer protection matters. The U.S. DOJ also has jurisdiction over airline competition matters under the U.S. federal antitrust laws. Flight operations between Chile and the United States by airlines licensed by either country are governed generally by the open skies air transport agreement that Chile and the United States signed in October 1997. Under the open skies agreement, there are no restrictions on the number of destinations or flights that either a U.S. or a Chilean airline may operate between the two countries or on the number of U.S. and Chilean airlines that may operate.



### *Authorizations and Licenses*

LAN is authorized by the DOT to engage in scheduled and charter air transportation services, including the transportation of persons, property (cargo) and mail, or combinations thereof, between points in Chile and points in the United States and beyond (via intermediate points in other countries). LAN holds the necessary authorizations from the DOT in the form of a foreign air carrier permit, Exemption Authorizations and Statements of Authorization to conduct current operations to and from the United States. Exemptions and Statements of Authorization are temporary in nature and are subject to renewal and therefore there can be no assurance that any particular exemption or statement of authorization will be renewed. LAN's foreign air carrier permit has no expiration date, while a renewal of the exemption authorization (which includes the open skies traffic rights) was timely filed and the Authority was automatically extended until such time as the DOT issues the renewal order. LAN intends to request the inclusion of the open skies rights into our foreign air carrier permit, which would eliminate our need to renew the exemption authority in the future.

The FAA is engaged in the regulation with respect to safety matters, including aircraft maintenance and operations, equipment, aircraft noise, ground facilities, dispatch, communications, personnel, training, weather observation and other matters affecting air safety. The FAA requires each foreign air carrier to obtain certain operations specifications that authorize it to operate to particular airports on approved international routes using specified equipment. LAN currently holds FAA operations specifications under Part 129 of the FAR in compliance in all material respects with all requirements necessary to maintain in good standing of its operations specifications issued by the FAA. The FAA can amend, suspend, revoke or terminate those specifications, or can suspend temporarily or revoke permanently our authority if an airline fails to comply with the regulations, and can assess civil penalties for such failure. A modification, suspension or revocation of any of our DOT authorizations or FAA operations specifications could have a material adverse effect on our business.

The FAA also conducts safety audits and has the power to impose fines and other sanctions for violations of airline safety regulations. We have not incurred any material fines related to operations.

*Security.* On November 19, 2001, the Congress of the United States passed, and the President signed into law, the Aviation and Transportation Security Act, also referred to as the Aviation Security Act. This law federalized substantially all aspects of civil aviation security and created the Transportation Security Administration ("TSA"), which took over security responsibilities previously held by the FAA. The TSA is an agency of the U.S. Department of Homeland Security. The Aviation Security Act requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security required under the Aviation Security Act is provided in part by a US\$2.50 per segment passenger security fee, subject to a US\$10 per round trip cap; however, airlines are responsible for costs in excess of this fee. Implementation of the requirements of the Aviation Security Act has resulted in increased costs for airlines and their passengers. Since the events of September 11, 2001, Congress has mandated and the TSA has implemented numerous security procedures and requirements that have imposed and will continue to impose burdens on airlines, passengers and shippers.

*Noise Restrictions.* Under the Airport Noise and Capacity Act of 1990 ("ANCA"), and related FAA regulations, aircraft that fly to the United States must comply with certain Stage 3 noise restrictions, which are currently the most stringent FAA noise requirements. All of our aircraft that fly to the United States meet the Stage 3 requirements.

Under the direction of the ICAO, governments are considering the creation of a new and more stringent noise standard than that contained in the ANCA. The ICAO adopted new noise standards in 2001 that established more stringent noise requirements for aircraft manufactured after January 1, 2006. In the U.S., legislation known as the "Vision 100—Century of Aviation Reauthorization Act," which was signed into law in December 2003, required the FAA to issue regulations implementing Stage 4 noise standards consistent with recommendations adopted by the ICAO. FAA regulations require all aircraft designed and certified after January 1, 2006 to comply with Stage 4 noise restrictions.

FAA regulations also require compliance with the Traffic Alert and Collision Avoidance System, approved airborne wind shear warning system and aging aircraft regulations. Our entire fleet meets these requirements.

### *Brazil*

#### *Aeronautical Regulation*

The Brazilian aviation industry is regulated and overseen by the ANAC. The ANAC reports directly to the Civil Aviation Secretary, which is subordinated by the Federal Executive Power of this country. Primarily on the basis of Law No. 11.182/2005, ANAC was created to regulate commercial aviation, air navigation, the assignment of domestic and international routes, compliance with certain insurance requirements, flight operations, including personnel, aircraft and security standards, air traffic control, in this case sharing its activities and responsibilities with the *Departamento de Controle do Espaço Aéreo* (Department of Airspace Control)



(“DECEA”), which is a public secretary also subordinated to the Brazilian Defense Ministry, and airport management, in this last case sharing responsibilities with the *Empresa Brasileira de Infra-Estrutura Aeroportuária* (the Brazilian Airport Infrastructure Company, or “INFRAERO”), a public company that was created by Law No. 5862/72, and is responsible for administrating, operating and exploring Brazilian airports industrially and commercially (with the exception of Guarulhos International Airport, Viracopos International Airport and Brasilia International Airport which was privatized in 2012 and are administrated by concession agreement).



We have obtained and maintain the necessary authority from the Brazilian government to conduct flight operations, including authorization and technical operative certificates from ANAC, the continuation of which is subject to ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

ANAC is the Brazilian civil aviation authority and it is responsible for supervising compliance with Brazilian laws and regulations relating to air navigation. Brazil is a contracting state and a permanent member of the ICAO. The ICAO establishes technical standards for the international aviation industry, which Brazilian authorities, represented by the Brazilian Defense Ministry, have incorporated into Brazilian laws and regulations. In the absence of an applicable Brazilian regulation concerning safety or maintenance, ANAC has incorporated by reference the majority of the ICAO's technical standards.

*Route Rights*

*Domestic Routes.* Brazilian airlines are not required to obtain permits in connection with domestic passenger or cargo transportation, but only to comply with the technical requirements established by ANAC. Based on the Brazilian Aeronautical Code ("CBA") established by Law No. 7.565/86, non-Brazilian airlines are not permitted to provide domestic air service between destinations in Brazil. The same law prevents a foreign airline from creating a Brazilian subsidiary and entering the Brazilian domestic market using that subsidiary.

*International Routes.* Brazilian and non-Brazilian airlines providing services on international routes are also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between Brazil and various other countries. International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Brazil and foreign governments. Under such agreements, the government of one country grants the government of another country the right to designate one or more of its domestic airlines to operate scheduled services to certain destinations of the former and, in certain cases, to further connect to third-country destinations. In Brazil, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. If there is more than one applicant for a route frequency ANAC must carry out a public bid and award it to the elected airline. ANAC grants route frequencies subject to the condition that the recipient airline operate them on a permanent basis. If an airline fails to operate a route for a period of six months or more, ANAC may terminate its rights to that route. ANAC may also terminate its right if the recipient airline does not operate at least 80% of the frequency given for that specific route.

*Airfare Pricing Policy.* Brazilian and non-Brazilian airlines are permitted to establish their own international and domestic fares, in this last case only for Brazilian airlines, without government regulation, as long as they do not abuse any dominant market position they may enjoy. Airlines may file complaints before the Antitrust Court with respect to monopolistic or other pricing practices by other airlines that violate Brazil's antitrust laws.

*Registration of Aircraft.* Aircraft registration in Brazil is managed by ANAC, which maintains the Brazilian Aeronautical Register, as regulated by the CBA. The CBA allows ANAC to permit registration of aircraft belonging to Brazilian and non-Brazilian individuals.

*Safety.* ANAC requires that all Brazilian aircraft to have a valid certificate of airworthiness issued by ANAC. In addition, ANAC will not issue maintenance permits to a Brazilian airline until it has assessed the airline's maintenance capabilities. ANAC renews maintenance permits annually, and has approved our maintenance operations. Only ANAC certifies aircraft maintenance services and its personnel.

*Security.* ANAC establishes and supervises the implementation of security standards and regulations for the Brazilian commercial aviation industry. Such standards and regulations are based on standards developed by international commercial aviation organizations. Each airline and airport in Brazil must submit an aviation security handbook to ANAC describing its security procedures for the day-to-day operations of commercial aviation and procedures for staff security training.

*Brazilian Airport Policy.* INFRAERO supervises and manages airports in Brazil, including the supervision of take-off and landing charges. INFRAERO proposes airport charges, which are approved by ANAC and are the same at all airports. At privatized airports, the airport administration manages the facilities under the supervision of ANAC.

*Environmental and Noise Regulation.* ANAC coordinates and supervises noise regulations by regulation 121, which established noise restriction applicable to aircraft in Brazil. There are no material environmental regulations or controls imposed specifically upon airlines companies, applicable to aircraft, other than Brazilian general environmental laws and regulations.





## Colombia

### *Aeronautical Regulation*

The governmental entity in charge of regulating, directing and supervising civil aviation in Colombia is the Aeronáutica Civil (“AC”), a technical agency ascribed to the Ministry of Transportation. The AC is the aeronautical authority for the entire domestic territory, in charge of regulating and supervising the Colombian air space. The AC may interpret, apply and complement all civil aviation and air transportation regulation to ensure compliance with the Colombian Aeronautical Regulations (“RAC”). The AC also grants the necessary permits for air transportation.

### *Route Rights*

The AC grants operation permits to domestic and foreign carriers that intend to operate in, from and to Colombia. In the case of Colombian airlines, in order to obtain the operational permit the company must comply with the RAC and fulfill legal, economic and technical requirements, to later be subject to public hearings where the public convenience and necessity of the service is considered. The same process must be followed to add national or international routes, whose concession is subject to the bilateral instruments entered into by Colombia. Routes cannot be transferred under any circumstance and there is no limit to foreign investment in domestic airlines.

*Airfare Pricing Policy.* Since July 2007, as stated in resolution 3299 of the Aeronautical Civil entity, bottom level airfares for both international and domestic transportation were eliminated. Under resolution 904 issued in February 2012, the Aeronautical Civil entity decided to liberalize the obligation of charging a fuel surcharge for both domestic and international transportation of passengers and cargo. As of April 1, 2012, air carriers may now freely decide whether or not to charge a fuel surcharge. In the case that it is charged, the fuel surcharge must be part of the fare, but may be informed separately on the tickets, advertising or other methods of marketing used by the company.

In the same line, as of April 1, 2012 there is no longer be any restriction on top level fares published by the airlines or with respect to the obligations for air carriers to report to the Aeronautical civil entity the fares and conditions the day after being published.

Administrative fares are not subject to any changes and its charge is an obligation for the transport of passengers under Aeronautical Civil Regulations.

*Registration of Aircraft.* The AC, through the Office of Aeronautical Registration, is in charge of handling the registration of aircraft that will be operated by Colombian airlines. Registration may be obtained by a registration process fully conducted in Colombia or through the validation in Colombia of a foreign registration. For such registration, the aircraft must be legally imported to the country and inspected by the aeronautical inspectors. This office is also in charge of property registrations, lease contracts and liens of the registered aircraft.

*Safety.* Aircraft registered in Colombia obtain an airworthiness certificate or a validation of the airworthiness certificate (if they operate under the approval of the foreign registration).

*Security.* Following the guidelines of the OACI annexes, the AC issued an airport security program that must be strictly complied with by all the aircraft operators in the country as well as by airports.

*Environmental and Noise Regulation.* In Colombia, only aircraft that comply with category 3 noise limits may operate. There are strict regulations to control noise during takeoffs and landings of the aircraft at the El Dorado Airport in Bogotá due to its location in an urban area.

### *Antitrust Regulation*

The Chilean antitrust authority, which we refer to as the Antitrust Court (previously the Antitrust Commission), oversees antitrust matters, which are governed by Decree Law No. 211 of 1973, as amended, or the Antitrust Law. The Antitrust Law prohibits any entity from preventing, restricting or distorting competition in any market or any part of any market. The Antitrust Law also prohibits any business or businesses that have a dominant position in any market or a substantial part of any market from abusing that dominant position. An aggrieved person may sue for damages arising from a breach of Antitrust Law and/or file a complaint with the Antitrust Court requesting an order to enjoin the violation of the Antitrust Law. The Antitrust Court has the authority to impose a variety of sanctions for violations of the Antitrust Law, including termination of contracts contrary to the Antitrust Law, dissolution of a company and imposition of fines and daily penalties on businesses. Courts may award damages and other remedies (such as an injunction) in appropriate circumstances. As described above under “—Route Rights—Airfare Pricing Policy,” in October 1997, the Antitrust Court approved a specific self-regulatory fare plan for us consistent with the Antitrust Court’s directive to maintain a competitive environment within the domestic market.



Since October 1997, LAN Airlines S.A. and LAN Express follow a self-regulatory plan, which was modified and approved by the Tribunal de la Libre Competencia (the Competition Court) in July 2005, and further in September, 2011. In February 2010, the Fiscalía Nacional Economica (the National Economic Prosecutor's Office) finalized the investigation initiated in 2007 regarding our compliance with this self-regulatory plan and no further observations were made

As a condition to the business combination between LAN and TAM in June 2012, the antitrust authorities in Chile and in Brazil each imposed certain mitigation measures as part of their approval of the combination. Furthermore, the combination was submitted to the antitrust authorities in Germany, Italy and Spain. All these jurisdictions granted unconditional clearances for this transaction. The combination was filed with the Argentinean antitrust authorities, which approval is still pending. For more information regarding these mitigation measures please see below:

#### *Chile*

On September 21, 2011, the TDLC issued the Decision with respect to the consultation procedure initiated on January 28, 2011 in connection with the proposed combination. The TDLC, in the Decision, approved the proposed combination between LAN and TAM, subject to 14 conditions, as generally described below:

- exchange of certain slots in the Guarulhos Airport at São Paulo, Brazil;
- extension of the frequent flyer program to airlines operating or willing to operate the Santiago-São Paulo, Santiago-Río de Janeiro, Santiago-Montevideo and Santiago-Asunción routes during the five-year period from the effective time of the combination;
- execution of interline agreements with airlines operating the Santiago-São Paulo, Santiago-Río de Janeiro and Santiago-Asunción routes;
- certain capacity and other transitory restrictions applicable to the Santiago-São Paulo route;
- certain amendments to LAN's self-regulatory fare plan approved by the TDLC with respect to LAN's domestic passenger business;
- the obligation of LATAM to renounce to one global airline alliance within 24 months from the date in which the combination becomes effective, except in the case that the TDLC approves otherwise, or to elect not to participate in any global airline alliance;
- certain restrictions on codeshare agreements outside the global airline alliance to which LATAM belongs for routes with origin or destination in Chile or that connect to North America and Europe, or with Avianca/TACA or GOL for international routes in South America, including the obligation to consult with, and obtain approval from, the TDLC prior to its execution of certain of those codeshare agreements;
- the abandonment of four air traffic frequencies with fifth freedom rights between Chile and Perú and limitations on acquiring in excess of 75%, as applicable, of the air traffic frequencies in that route and the period that certain air traffic frequencies may be granted by the Chilean air transport authorities to LAN;
- issuance of a statement by LATAM supporting the unilateral opening of the Chilean domestic skies (cabotage) and abstention from any actions that would prevent such opening;
- promotion by LATAM of the growth and normal operation of the Guarulhos (Brazil) and Arturo Merino Benítez (Chile) airports, to facilitate access thereto to other airlines;
- certain restrictions regarding incentives to travel agencies;
- to maintain temporarily 12 round trip flights per week between Chile and the United States and at least seven round trip non-stop flights per week between Chile and Europe;
- certain transitory restrictions on increasing fares in the Santiago-São Paulo and Santiago-Río de Janeiro routes for the passenger business and for the Chile-Brazil routes for the cargo business; and
- engaging an independent consultant, expert in airline operations, which for 36 months, and in coordination with the FNE, will monitor and audit compliance with the conditions imposed by the Decision.

#### *Brazil*

The Brazilian Council for Economic Defense – CADE approved the LAN/TAM combination by unanimous decision during the hearing session of December 14, 2011, subject to the following conditions: (1) the new combined group (LATAM) should leave one of the two global alliances to which it was part (Star Alliance or oneworld®); and (2) the new combined group (LATAM) should offer to swap two pairs of slots in Guarulhos International Airport, to be used by an occasional third party interested in offering direct non-stop flights between São Paulo and Santiago do Chile. These impositions are in line with the mitigation measures adopted by the TDLC, in Chile.



## C. ORGANIZATIONAL STRUCTURE

LATAM Airlines Group is a company primarily involved in the transportation of passengers and cargo. Our operations are carried out principally by LAN, and by a number of different subsidiaries and affiliates, including TAM. As of January 31, 2015, in the passenger business we operated through seven main airlines: LATAM Airlines Group S.A. (which does business under the name “LAN Airlines”), incorporated in Chile, Transporte Aéreo S.A. (which does business under the name “LAN Express”), a Chilean subsidiary, LAN Perú S.A. (“LAN Peru”), a Peruvian subsidiary, Aerolane, an Ecuadorian subsidiary, Líneas Aéreas Nacionales del Ecuador S.A. (“LAN Ecuador”), and Ecuadorian subsidiary, LAN Argentina S.A. (“LAN Argentina,” previously Aero 2000 S.A.), an Argentinian subsidiary, Aerovías de Integración Regional, Aires S.A. (which does business under the name “LAN Colombia”), a Colombian subsidiary, TAM Linhas Aereas S.A. (“TAM Linhas Aereas”) incorporated in Brazil.)

As of January 31, 2015 we held a 99.90% stake in LAN Express through direct and indirect interests, a 69.98% stake in LAN Peru through direct and indirect interests, a 79.66% indirect stake in LAN Ecuador, a 94.99% indirect stake in LAN Argentina, a 98.81% indirect stake in LAN Colombia and a 100.00% of the non-voting shares of TAM, and 19.42% of the voting shares and 100% of the non-voting of Holdco I S.A., who has the 100.00% of the voting shares of TAM. For a description of the recent combination with TAM, including TAM’s operating structure, see “Item 4. History and Development of the Company—Combination of LAN and TAM.”

The cargo operations are carried out by our subsidiaries and affiliates, including TAM Linhas Aereas and LAN Cargo. The cargo operations are complemented by the operations of certain related companies, such as Aero Transportes Mas de Carga S.A. de C.V. (“MasAir”) in Mexico, Aerolinhas Brasileiras S.A. (which does business under the name of “ABSA” and “TAM Cargo”) in Brazil and Linea Aérea Carguera de Colombia S.A. (“LANCO”) in Colombia. As of January 31, 2015, we indirectly held 100% of the non-voting shares and 24.99% of the voting shares of MasAir, 100% of the non-voting shares and 20% of the voting shares of ABSA, and an 90.00% stake in LANCO through direct and indirect participations. TAM holds 100% stake in ABSA. In the cargo business, LATAM markets itself primarily under the LAN Cargo brand internationally and the TAM Cargo brand in Brazil.

## D. PROPERTY, PLANTS AND EQUIPMENT

LAN Infrastructure Management and TAM Infrastructure Management report to the Director of Purchasing and Infrastructure of LATAM. Both LAN and TAM infrastructure management teams have worked together during 2012 and 2013 regarding strategic planning for infrastructure issues for the LATAM Airlines Group.

### LAN’s Property, Plant and Equipment

#### Headquarters

Our main facilities are located on approximately five acres of land that we own near the Comodoro Arturo Merino Benítez International Airport. The complex includes approximately 150,695 square feet of office space, 32,292 square feet of conference space and training facilities, 9,688 square feet of dining facilities and mock-up cabins used for crew instruction.

During 2003, we moved some of our executive offices into a new building in a more central location in Santiago, Chile, where we occupied a total of four floors owned by LAN. To accommodate our growth, we have, since 2005 expanded our offices. In 2005 LAN bought 3 floors, in 2007, LAN leased two floors in an adjacent building (totaling 18,298 square feet), and in 2009, LAN leased additional floors in this building (totaling 12,917 square feet). In 2010, new offices were leased east of Santiago to allow for Company growth and to implement projects such as “Host,” which involves changing our system of reservations, sales, inventory and passenger check-in. We have leased these additional offices since 2010, under a 4-year lease. These additional offices add a total of 19,913 square feet to LAN’s property.

Furthermore, during 2011 we added to our facilities a new 11,840 square feet floor at the Arrau Building located in Santiago, Chile, which we lease for the new facilities of LAN Cargo. We have leased this floor since 2011, under a 3-year lease.

#### Maintenance Base

Our 877,258 square feet maintenance base is located on a site that we own inside Comodoro Arturo Merino Benítez International Airport. This facility contains our aircraft hangar, warehouses, workshops and offices, as well as a 559,720 square feet aircraft parking area capable of accommodating up to seventeen short-haul aircraft. We have a 53,820 square feet office building plus a 10,000 square feet office and workshop space. We also lease from the DGAC 193,750 square feet of space inside the Comodoro Arturo Merino Benítez International Airport for operational and service purposes. Our lease has duration of 14 years.



During 2013, we began to develop a series of infrastructure projects, the most significant of which is the construction of a north platform which allows for an additional 13 new A320 aircraft parking spaces. During 2013, a significant part of this project was completed, including 5 new parking spaces for A320 aircraft. The project is expected to be finished during the third quarter of 2014. Additionally during 2013, parking capacity for vehicles was increased by 135 new spaces.

During 2014 these Facilities were completed and delivered to operation.

**Miami Facilities**

We occupy a 36.3-acre site at the Miami International Airport that has been leased to us by the airport under a concession agreement. Our facilities include a 48,000 square feet corporate building, a 380,000 square feet cargo warehouse (including a 10,000 square meter cooling area) and a 783,000 square feet aircraft-parking platform, which were constructed and are now leased to us under a long-term contract by a North American developer, and approximately 21,528 square feet of furnished office space. The rent we pay for the use of this space is approximately US\$735,000 per month. We are currently negotiating with the local airport authority regarding its construction of a new hangar at the Miami International Airport, which we expect to lease from them when it is constructed.

During 2010, LAN signed a concession agreement with the AMB Property Corporation to add a new cargo warehouse for additional areas for future developments. Our concession has duration of 5 years at a rate of approximately US\$215,000 per month.

During 2013, a new project for a Boeing B777 hangar was developed. This project finally received approval from Miami airport authorities in 2014 and should be completed during 2015.

**Other Facilities**

We own a building and sixteen acres of land on the west side of the Comodoro Arturo Merino Benítez International Airport that houses a flight-training center. As of February 28, 2014, this facility features three full-flight simulators for Boeing 767, Airbus A320 and Boeing 737 aircraft.

Fast Air Almacenes de Carga S.A. (“Fast Air”), one of our subsidiaries that operate import customs warehouses, utilizes an import warehouse and office building at the Comodoro Arturo Merino Benítez International Airport. This 172,000 square feet building was developed in conjunction with two other operators. We have leased these facilities since 2004 and we will continue to operate there until September 2015.

**LAN Peru’s Property, Plant and Equipment**

LAN Peru has approximately 19,000 m<sup>2</sup> built. All facilities are leased and are distributed as follows:

Administrative Offices: 7,000 m<sup>2</sup>

Sales Offices: 2,000 m<sup>2</sup>

Concessions airports: 10,000 m<sup>2</sup>

We also own a 166,840 square feet of land near the Lima airport, where built training facilities for flight and cabin crews of the Company, with capacity for two flight simulators (Airbus A320s and Boeing 767s), facilities for emergency evacuation practice (including pool to practice ditching) and classrooms. In addition, in 2010 we leased a piece of land and hangar inside the Lima airport for our maintenance facilities that was rented to LAN Peru for an initial period of 5 years, which may be renewed. The new maintenance facilities have approximately 3,500 m<sup>2</sup> of space, a hangar with a covered area of approximately 6,500 m<sup>2</sup> (space for three Airbus A320s or one Boeing 767) plus an out platform of approximately 3,500 m<sup>2</sup>.

Finally, we are renting eight floors in a building and three floors in another building for our corporate facilities. We are also renting twenty three commercial offices around the country.

**LAN Colombia’s Property, Plant and Equipment**

LAN Colombia has approximately 27,500 m<sup>2</sup> built. All facilities are leased and are distributed as follows:

Administrative Offices: 4,500 m<sup>2</sup>

Sales Offices: 1,700 m<sup>2</sup>



Concessions airports: 21,300 m<sup>2</sup>

During 2012, new administrative and operational offices were created in the Logistic center (PARQUE DEL SOL) near the El Dorado airport in Bogota, covering 11,500 square feet.

During November 2013, a new VIP lounge covering 690m<sup>2</sup> in the El Dorado Airport in Bogotá was complete.

During 2014 there was a complete renovation of the Hangar Aircraft Parking, which now has space for three A320 aircraft.

**LAN Ecuador’s Property, Plant and Equipment**

LAN Ecuador has approximately 14,500 m<sup>2</sup> built. All facilities are leased and are distributed as follows:

Administrative Offices: 1,600 m<sup>2</sup>

Sales Offices: 1,000 m<sup>2</sup>

Concessions airports: 11,900 m<sup>2</sup>

In Ecuador, the New Quito Airport was opened in 2013 and LAN Ecuador spent approximately US\$4.5 million for facilities and infrastructure investments at this new airport. During the construction period, LAN Ecuador (and other airlines) were required to make significant investments for airport infrastructure in this new airport.

In 2012, LAN began the construction of new facilities for Andes, a company that performs ground service aircraft handling services for LAN Ecuador and acts as an airport service provider. A new facility for line maintenance and operations was also constructed. Both facilities were built on land concessioner by QUIPORT and were opened during the first quarter of 2013. Further information regarding the size and amount of these investments is detailed in the table below:

| <u>Facilities</u> | <u>Ground (m<sup>2</sup>)</u> | <u>Constructions (m<sup>2</sup>)</u> | <u>Pavements (m<sup>2</sup>)</u> | <u>Investment (US\$)</u> |
|-------------------|-------------------------------|--------------------------------------|----------------------------------|--------------------------|
| ANDES             | 4,000                         | 3,134                                | 1,800                            | 2,500,000                |
| MAINTENANCE       | 15,167                        | 1,300                                | 6,200                            | 2,000,000                |

**LAN Argentina’s Property, Plant and Equipment**

LAN Argentina has approximately 192,670 square feet built. All facilities are leased and are distributed as follows:

Administrative Offices: 71,042 square feet

Sales Offices: 27,986 square feet

Concessions airports: 93,646 square feet

We also have maintenance base in Argentina with a hangar of 26,900 square feet, 9,600 square feet of offices, 1,070 square feet of workshops and an exterior platform of 5,300 square feet. This facility is meant for the parking and maintenance of A320 aircraft and it is capable of providing full maintenance, including C-Checks.

On December of 2012, LAN Argentina launched its new VIP lounge in Terminal B of the Ezeiza Airport. An area of 6,458 square feet was built to house more than 150 passengers, with areas for resting, work, entertainment, bathrooms and shower services.



## TAM's Property Plant and Equipment

### Headquarters

TAM's main facilities are located in São Paulo, in hangars within the Congonhas Airport and nearby. At Congonhas Airport, TAM leases office facilities in converted hangars belonging to INFRAERO (the Local Airport Administrator). These facilities comprise 649,933 square feet.

The Service Academy is located at Rua Atica, about 2.5 km from Congonhas Airport, is a separate property which TAM owns, exclusively for the areas of Selection, Medical Service, Training, and Mock-ups, comprising 15,342 m<sup>2</sup>.

### Base Maintenance

At Hangars II and V in Congonhas Airport, which TAM leases for approximately R\$39,510 and R\$52,665 per month, TAM has 15,650 m<sup>2</sup> of offices and hangars with about 1,050 workstations. This site also houses the areas of Aircraft Maintenance, Procurement and Logistics of Aeronautical Materials, and Retrofitting.

### Other Facilities

In São Paulo, TAM has other facilities such as: Commercial Headquarters, an old Pantanal office, located 7.0 km from Congonhas Airport, with 540 m<sup>2</sup> leased area and about 94 workstations; Uniform Building, with 890 m<sup>2</sup> and about 10 workstations, exclusive use for storage and delivery of uniforms; and a Call Center Building at Rua Augusta with 110 m<sup>2</sup> and about 150 workstations distributed in four floors.

TAM also has the following offices: Multiplus Office, located in Brooklin region, with 800 m<sup>2</sup> leased, and approximately 150 workstations; TAM Viagens Office, with 2,800 m<sup>2</sup> leased distributed in about 265 workstations; Two Stores of TAM Viagens, at Rua Augusta with 110 m<sup>2</sup> leased and about 10 workstations; and at Shopping SP Market with 50 m<sup>2</sup> leased and about 5 workstations.

In Guarulhos, TAM has a total area of approximately 12,894 m<sup>2</sup> distributed in the Passenger Terminal, Operational Areas such as Check-in, Ticket Sales, Check Out, Operations Areas, VIP Lounges, Aircraft Maintenance, GSE, Cargo Terminal, Distribution Centers, etc. The Cargo Terminal has 164 m<sup>2</sup> of office and 15,000 m<sup>2</sup> of open area. The Distribution Centre Supplies has 3,030 m<sup>2</sup>.

TAM has a total of 45 online sites and 10 offline/chartering/high season sites in Brazil. Outside of Brazil, TAM has a total of 30 sites in 6,300 m<sup>2</sup>, including 20 online sites and 10 offline/chartering/high season sites. TAM also has 133 franchised stores of TAM Viagens through Brazil.

### New Headquarters

In 2013, TAM finished its project for a new headquarters with an area of 5,066 m<sup>2</sup>, of which two and one-third floors are leased, space for 641 workstations and a total investment of R\$12.0 million. The new headquarters is located at the Tower Bridge Building, located in Brooklin region.

We are building a new office with 12,195 m<sup>2</sup>, LATAM will lease 12 floors, to transfer 1100 workstations, in a total investment of R\$ 23.9 million. The new office is located at Espaço Empresarial Nações Unidas (EENU), in the Chacára Santo Antonio região. When this Project is finished we will terminate the contract lease of hangar 7 and hangar 8.

### Building Improvements

We have approved the "Big Picture" project, which will implement a new plan of occupancy for Hangars in 2 and 5 at Congonhas Airport for approximately 5700 m<sup>2</sup> and Hangar 3 for approximately 6000 m<sup>2</sup>. These improvements will receive and investment of US\$18 million. This project will be completed in the second half of 2015.

### New Facilities

TAM concluded several projects for new facilities in 2014, the most significant of which was a new cargo terminal in Manaus that integrates the operations of ABSA and TAM Cargo in the city and has a cargo space of about 4,700 m<sup>2</sup>; the construction of a new GSE area in Florianópolis with an area of approximately 400 m<sup>2</sup>; the construction of a new GSE area in Vitória with 255 m<sup>2</sup> and a new distribution center for supplies in Guarulhos, with an area of approximately 3,035 m<sup>2</sup>. In total, TAM spent approximately R\$30 million on these projects in 2014. Additionally we build TPS 3 offices in Guarulhos airport at terminal 3, with 2100 m<sup>2</sup>.

Moreover, TAM has several projects for new facilities in 2014 and 2015, the most significant of which are a new cargo terminal in Guarulhos that integrates the operations of ABSA and TAM Cargo in Guarulhos, with a cargo space of about 15,434 m<sup>2</sup>; the construction of a new VIP Lounge in Guarulhos Airport with 1,900 m<sup>2</sup>; investments of R\$ 20 million targeted to general



improvements of GSE facilities in all Brazilian territory and a new hangar in Guarulhos Airport for narrow and wide body aircraft maintenance. This new hangar is under study but is expected to complete projects still in 2014. The new facilities will receive an investment of R\$ 50 million in 2014-2015.

Both Projects were completed and they are already in service. The VIP Lounge was delivered in October 2014 and The New Cargo terminal was delivered in January 2015

In addition, to the projects mentioned above, some large airports in Brazil, including, like Guarulhos, Natal and Viracopos have undergone major structural reforms promoted by the government which required investments of R\$ 8,3 for modernization of our facilities. These projects are directly related to the world cup football.

#### ITEM 4A UNRESOLVED STAFF COMMENTS

None.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

##### *Operating Results*

You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements and the accompanying notes beginning on page F-1 of this annual report.

The summary consolidated annual financial information as of December 31, 2014, 2013 and 2012 and for the years ended December 31, 2012, 2013 and 2014, has been prepared in accordance with IFRS and has been derived from our audited consolidated annual financial statements included in this annual report.

##### *Overview*

We derive our revenues primarily from transporting passengers on our passenger aircraft, as well as from transporting cargo in the belly of our passenger aircraft and in our dedicated freighter aircraft. In 2014, approximately 83% of our revenues came from passenger revenues, 14% came from our cargo business, and the remaining 3% from other operating revenues. Other operating revenue consists primarily in revenues generated from tour operator services, aircraft leases, on-board sales, third-party maintenance, ground handling, customs and storage brokerage operations.

Our operating environment in 2014 was marked by continued capacity rationalization in both cargo and passenger operations compared with 2013, coupled with a generally weaker macroeconomic environment in Latin America, including slower GDP growth trends, and weaker currencies in most countries. Additionally our operations were negatively affected by reduced passenger and cargo demand during the FIFA World Cup soccer tournament held in Brazil.

##### *Passenger Operations*

In general, our passenger revenues are driven by international and country-specific political and economic conditions, competitive activity and the attractiveness of the destinations that we serve. Passenger revenues are also affected by our capacity, traffic, load factors, yield and unit revenue. Our capacity is measured in terms of available seat kilometers, or ASKs, which represents the number of seats we make available for sale, multiplied by the kilometers flown. We measure traffic in revenue passenger kilometers, or RPKs, as the number of passengers on our flights multiplied by the number of kilometers flown. Load factors represent RPKs (traffic) as a percentage of ASKs (capacity), or the percentage of our capacity that is actually used by paying customers. Finally, we use yield, revenue from passenger operations divided by RPKs, to measure the average amount that one passenger pays to fly one kilometer and unit revenue, or revenue per ASK, to measure the effect of capacity on revenues. See "Item 3. Key Information—Selected Financial Data."

Passenger demand over the past years has been affected as a result of weaker economic environments in some Latin America's countries, reflected in slower GDP trends and depreciated currencies, and increases in competition from operators to South America and within the region.

During 2014, domestic operations in the Company's Spanish speaking countries (SSC, which include Chile, Peru, Argentina, Colombia and Ecuador) continued to show moderate growth in terms of traffic and remained very profitable, in spite of the economic slowdown in some countries. Our SSC business grew at a slower pace than 2013, as we increased capacity by only 3.7% as compared to 2013. Nonetheless, the Company was able to stimulate passenger traffic as measured in RPKs by 6.2%, allowing for an improvement of 1.9 p.p. in load factors, reaching 80.5%. However, yields in the SSC domestic markets continue to be under pressure due to the depreciation of local currencies, mainly the Chilean and Argentinian peso which depreciated an average of 15.2% and 48.2% respectively, as compared to 2013. This resulted in a 5.2% decline in revenue per ASK as compared to 2013.



Since we achieved the turnaround in the domestic Brazil passenger operations, we have had a successful and profitable operation. However, the weaker economy in Brazil, the depreciation of the Brazilian real and the impact of the FIFA World Cup in the months of June and July of 2014 have negatively impacted our results. In this context, and in line with the current dynamics of domestic industry, TAM reduced capacity by 1.4% as measured in ASK during 2014. However, even with these circumstances, we were able to increase traffic by 1.1% as measured in RPK further improving our load factor by 2.0 p.p., reaching a high 83.0%. As a result, TAM ended the year with an increase of 2.2% in our revenues per ASK in Brazilian reais as compared to 2013.

The FIFA World Cup soccer tournament took place in Brazil in June and July of 2014 and resulted in a highly complex operation due to the large number of passengers who travelled to these cities on specific dates. Despite the increase in the number of passengers, LATAM's operating margin during the World Cup period was adversely impacted by approximately between US\$ 140 million and US\$160 million, mainly due to decreases in traffic and yields as a result of reduced corporate travel, as well as a reduction in leisure demand during the winter holidays, which are usually a period of high seasonal demand. Nonetheless LATAM is very satisfied to have successfully provided a customer-focused operation during this globally high profile and visible event.

In our international operations, we have continued to rationalize passenger capacity in response to a challenging competitive environment and continued pressure on yields. In terms of increased competition, we have seen a significant increase in capacity to the region from airlines from different regions, specifically from North America. Additionally, we had a significant increase in intraregional competition during the year; some operators - formerly domestic operators - strengthened their regional flights; and other operators redirected their capacity from Venezuela to other markets within the region situation. Additionally, the depreciation of some local currencies, especially the Argentinean peso, has adversely affected our international demand. Furthermore Brazilian international passenger results were also affected in July by lower corporate travel to and from Brazil during the World Cup soccer tournament. During 2014, the international business unit decreased capacity by 2.4% while traffic as measured in RPK increased 1.2%, boosting load factors by 3.1 p.p., to 85.4%, resulting in a decrease of 3.2% in the revenue per ASK (RASK).

Overall, LATAM has focused on improving our product and connectivity with international passengers. We have implemented initiatives such as the beginning reconfiguration of the cabins of the TAM B777 fleet to include a fully flat business class, the increased use of B787 aircraft on long-haul routes, and advances in the construction of the main hub of the company at Guarulhos airport in Sao Paulo, where LATAM already moved all of its operations to the new Terminal 3, and where the Company was able to substantially improve its connection times to offer a much more attractive product for its passengers. Additionally, during November 2014, LATAM inaugurated a new VIP lounge at the airport, which is currently the largest in South America and which will also be important in helping the best experience of our passengers.

*Cargo Operations*

Our cargo operations depend on exports from and imports to South America and are, therefore, affected by economic conditions, foreign exchange rates, changes in international trade, the health of particular industries, competition and fuel prices (which we usually pass on to our customers through a cargo fuel surcharge). Cargo revenues are also affected by our capacity, traffic, load factors and yield. Our capacity is measured in terms of available ton kilometers, or ATKs, which represents the number of tons available for the transportation of cargo, multiplied by the kilometers flown. We measure traffic in revenue ton kilometers, or RTKs, as the amount of cargo loads (measured in tons) multiplied by the number of kilometers flown. Load factors represent RTKs (traffic) as a percentage of ATKs (capacity), or the percentage of our cargo capacity that is actually used to transport cargo for our customers. Finally, we use yield, or revenue from cargo operations divided by RTKs, to measure the average amount that our customers pay to transport one ton of cargo one kilometer. See "Item 3. Key Information—Selected Financial Data."

We have designed our operations, route network and commercial strategies with the flexibility required to respond to changing conditions. In the cargo business, it is important to differentiate between what has been our business northbound - exports from the region to North America and Europe - and our business southbound - imports to the region.

Since 2012, the environment for the freighter business, and therefore for LATAM's cargo business unit, has been complicated. The global freight markets have remained weak, and Latin America has not been an exception. In addition, freighter and passenger's operators, have significantly increased cargo capacity in the region. These have put significant pressure on cargo yields.

During 2014, cargo traffic decreased 3.3%, reflecting a challenging scenario in Latin American cargo markets mainly due to a decline in demand on routes from the U.S.A to Latin America, especially Brazil, which was affected by the FIFA World Cup, uncertainty surrounding presidential elections and lower economic growth. Additionally northbound demand was affected by a significant contraction of seed exports from Chile, partially offset by strong asparagus, flowers and fresh fruit export seasons.

As a result, the Company continues with a rational and disciplined approach toward freighter capacity utilization, while focused on maximizing the belly utilization of the Company's passenger fleet. In this regard, in 2014 the Company sub-leased two of its 767-300Fs to another company operating in a different market for a period of three years. An additional 767-300F was also leased to this same operator starting in January 2015. Overall, capacity decreased by 5.6% in the year, resulting in a load factor of 59.8%, which represents an improvement of 1.4 percentage points as compared to 2013. Nonetheless, the 4.8% decline in the cargo yields led to a contraction of the revenues per ATK of 2.5%.





*Cost Structure*

LATAM Airlines Group's costs are driven by the size of our operations, fuel prices, fleet costs and exchange rates. Our operating expenses are calculated in accordance with IFRS and comprise the sum of the line items "cost of sales" plus "distribution costs" plus "administrative expenses" plus "other operating expenses", as shown on our consolidated statement of comprehensive income. These operating expenses include wages and benefits, fuel, depreciation and amortization, commissions to agents, aircraft rentals, other rental and landing fees, passenger services, aircraft maintenance, and other operating expenses. The following is a discussion of the drivers of the most important costs.

As an airline, we are subject to fluctuations in costs that are outside our control, particularly fuel prices. At the end of 2013, fuel prices were high principally because of the strong signals of growth in the U.S. At the beginning of 2014, fuel followed the same trend because of the Ukraine/Russia conflict and also because of strong signals of growth in the U.S. and Europe. In the second half of 2014, fuel prices tumbled 42% as OPEC elected not to curb output in response to a supply glut produced by increased production of shale oil in the U.S., and as a result of weak demand as China, Japan and Eurozone showed an economic slowdown and deflation. Although we have implemented a number of strategies to mitigate the impact of the volatility of fuel prices, such as fuel-hedging policies and the use of pass-through mechanisms, it is unlikely that we will be able to fully protect ourselves against the volatility of fuel costs. In addition, during periods in which fuel prices decrease, as during 2014, a fuel hedging program may prevent us from realizing the full benefit of the lower fuel prices. Moreover, another important driver that affects this item cost is the amount of gallons consumed during the year, resulting from the size of our operation, the efficiency of the fleet and efficiency programs.

Personnel expenses are another significant component of our overall costs. Because a significant portion of our labor costs is denominated in Chilean pesos and in Brazilian reais, appreciation of these currencies against the dollar as well as increases in local inflation rates can result in increased costs in dollar terms and can negatively affect our results. Depreciation of local currencies results in decreases in costs in dollars. Additionally, other important drivers are average headcount and average wages.

Commissions paid to travel and cargo agents are also a significant cost to the company. We compete with other airlines over the amount of commission we pay per sale, particularly in connection with special programs and marketing efforts, and to maintain competitive incentives with travel agents.

Fleet related expenses, namely aircraft rentals and depreciation, are another significant cost, and mainly depend on the number and type of aircraft that are owned and that are under operating leases. These costs are mainly fixed and can be reduced on a per unit basis by achieving higher daily aircraft utilization rates.



**Results of Operation**

**LATAM Airlines Group Financial Results Discussion: Year ended December 31, 2014 compared to year ended December 31, 2013.**

The following table sets forth certain income statement data for LATAM Airlines Group, for the year ended December 31, 2014, and December 31, 2013. For certain operating data during these periods, see “Item 3. Key Information—Selected Financial Data.”

|   | Year Ended December 31,  |                 |  |               | 2014/2013<br>% change |
|---|--|-----------------|--|---------------|-----------------------|
|   | 2014<br>(in US\$ millions, except per<br>share and capital stock data) | 2013            | 2014<br>As a percentage of total<br>operating revenues | 2013          |                       |
| <b>Consolidated Results of Income by Function</b>                                   |  |                 |  |               |                       |
| Operating revenues  |  |                 |  |               |                       |
| Passenger   | 10,380.1   | 11,061.6        | 85.8%  | 85.6%         | (6.2)%                |
| Cargo   | 1,713.4  | 1,863.0         | 14.2%  | 14.4%         | (8.0)%                |
| <b>Total operating revenues</b>   | <b>12,093.5</b>  | <b>12,924.5</b> | <b>100.0%</b>  | <b>100.0%</b> | <b>(6.4)%</b>         |
| Cost of sales   | (9,624.5)  | (10,054.2)      | (79.6)%  | (77.8)%       | 4.3%                  |
| Gross margin  | 2,469.0  | 2,870.4         | 20.4%  | 22.2%         | (14.0)%               |
| Other operating income  | 377.6  | 341.6           | 3.1%   | 2.6%          | 10.5%                 |
| Distribution costs  | (957.1)  | (1,025.9)       | (7.9)%   | (7.9)%        | (6.7)%                |
| Administrative expenses   | (980.7)  | (1,136.1)       | (8.1)%   | (8.8)%        | (13.7)%               |
| Other operating expenses  | (401.0)  | (408.7)         | (3.3)%   | (3.2)%        | (1.9)%                |
| Financial income  | 90.5   | 72.8            | 0.7%   | 0.6%          | 24.3%                 |
| Financial costs   | (430.0)  | (462.5)         | (3.6)%   | (3.6)%        | (7.0)%                |
| Share of profit of investments accounted for using the equity<br>method             | (6.5)  | 2.0             | (0.1)%   | 0.0%          | (430.3)%              |
| Foreign exchange gains/(losses)   | (130.2)  | (482.2)         | (1.1)%   | (3.7)%        | (73.0)%               |
| Result of indexation units  | 0.0  | 0.2             | 0.0%   | 0.0%          | (96.7)%               |
| Other gains/(losses)  | 33.5   | (55.4)          | 0.3%   | (0.4)%        | (160.5)%              |
| Income (loss) before income taxes   | 65.2   | (283.9)         | 0.5%   | (2.2)%        | (123.0)%              |
| Income (loss) tax expense   | (292.4)  | 20.1            | (2.4)%   | 0.2%          | (1,557.0)%            |
| Net income (loss) for the period  | (227.2)  | (263.8)         | (1.9)%   | (2.0)%        | (13.9)%               |
| Income (loss) for the period attributable to the parent company’s<br>equity holders | (260.0)  | (281.1)         | (2.1)%   | (2.2)%        | (7.5)%                |
| Income (loss) for the period attributable to non-controlling interests              | 32.8   | 17.3            | 0.3%   | 0.1%          | 90.1%                 |
| <b>Net income (loss) for the period</b>   | <b>(227.2)</b>   | <b>(263.8)</b>  | <b>(1.9)%</b>  | <b>(2.0)%</b> | <b>(13.9)%</b>        |
| Earnings per share  |  |                 |  |               |                       |
| Basic earnings per share (US\$)   | (0.47656)  | (0.57613)       | n.a.   | n.a.          | (70.4)%               |
| Diluted earnings per share (US\$)   | (0.47656)  | (0.57613)       | n.a.   | n.a.          | (70.4)%               |

\* The abbreviation “n.a.” means not available.

**Net Loss**

Net loss for the year ended December 31, 2014 equaled US\$ 227.2 million, representing a decrease of US\$ 36.6 million from a net loss of US\$263.8 million in 2013. Net loss attributable to the parents of the company decreased to US\$ 260.0 million in 2014 from US\$281.1 million in 2013. Results for the 2014 include a US\$ 112 million provision recognized during the first quarter of the year mainly related to estimated penalties for anticipated redeliveries of aircraft and other redelivery expenses expected to be incurred as a part of the Company’s fleet restructuring process. In addition, the Company recognized an accounting charge of US\$ 150.2 million due to modifications made to the Chilean Tax System, consisting of a gradual increase of the corporate income tax from 20% to 27% in 2018. The Company entirely recognized the effect of the 7p.p. increase in the corporate rate during 2014. For more information see “Business strategy – Fleet restructuring plan” and “Item 10.—Taxation and Note 17 our audited consolidated financial statements.

Results were also impacted by a foreign exchange loss of US\$ 130.2 million mainly resulting from the 12.5% depreciation of the Brazilian real between December 31, 2013 and December 31, 2014, as compared to a foreign exchange loss of US\$482.2 million in 2013.. On the other hand, in 2013 LATAM incurred US\$56.0 million in non-recurring expenses related to the combination and integration costs, whereas no costs related to integration were incurred in 2014.



*Operating Revenues*

Our total operating revenues decreased by 6.4% to US\$ 12,093.5 million in the year ended December 31, 2014 compared to revenues of US\$ 12,924.5 million in 2013. The 2014 decrease in operating revenues was attributable to a 6.2% decrease in passenger revenues, and an 8.0% decrease in cargo revenues. Passenger and cargo revenues accounted for 85.8% and 14.2% of total operating revenues in 2014, respectively.

Our consolidated passenger revenues decreased by 6.2% to US\$10,380.1 million in 2014 from US\$11,061.6 million in 2013, as a result of a decrease of 1.1% in our capacity (ASK) and a decrease of 5.1% in our unit revenues (RASK). The decreases in capacity was a result of a 2.4% decrease in our international operations and a 1.4% decrease in our domestic Brazil operations, reflecting our rationalization strategy in these markets, partially offset by an increase of 3.7% in capacity in our domestic capacity in our Spanish speaking countries. Decreases in RASK reflect a decrease of 7.9% in consolidated yields, resulting from the slowdown in economic activity in the region and depreciation of local currencies, the challenging competitive environment in our international operations, and the impact of the World Cup on corporate demand and leisure traffic which took place in Brazil.

Cargo revenues decreased by 8.0%, to US\$1,713.4 million in 2014 from US\$1,863.0 million in 2013, as a result of a decrease of 5.6% in capacity (ATK) and a decrease of 2.5% in unit revenues (RATK). Capacity decreased in our cargo operations mainly as a result of the phase out of our fleet of a Boeing 767F aircraft during the first quarter of the year and lower freighter utilization. Decreases in RATK reflect the still challenging cargo scenario in South America and mainly the weakness of the imports into the region, which have affected our cargo yields, which decreased by 4.8% in 2014 as compared to 2013.

*Cost of Sales*

Cost of sales decreased by 4.3% to US\$9,624.5 million in the year ended December 31, 2014 from US\$10,054.2 million in 2013, mainly due to lower fuel expenses in the year. As a percentage of total operating revenues, cost of sales increased from 77.8% in 2013 to 79.6% in 2014.

The table below presents cost of sales information for the fiscal year ended December 31, 2014 and 2013.

|                               | Year Ended December 31                                    |            |  |         | 2014/2013<br>% change |
|-------------------------------|---|------------|--|---------|-----------------------|
|                               | 2014<br>(in US\$ millions, except<br>as otherwise stated) | 2013       | 2014<br>As a percentage of total<br>operating revenues | 2013    |                       |
| <b>Revenues</b>               | 12,093.5  | 12,924.5   | 100.0%   | 100.0%  | (6.4%)                |
| <b>Cost of sales</b>          | (9,624.5)   | (10,054.2) | (79.6)%  | (77.8)% | (4.3%)                |
| Aircraft Fuel                 | (4,167.0)   | (4,414.2)  | (34.5)%  | (34.2)% | (5.6%)                |
| Wages and Benefits            | (1,751.3)   | (1,884.1)  | (14.5)%  | (14.6)% | (7.0%)                |
| Other Rental and Landing Fees | (1,327.2)   | (1,373.1)  | (11.0)%  | (10.6)% | (3.3%)                |
| Depreciation and Amortization | (991.3)   | (1,041.7)  | (8.2)%   | (8.1)%  | (4.8%)                |
| Aircraft Rentals              | (521.4)   | (441.1)    | (4.3)%   | (3.4)%  | 18.2%                 |
| Aircraft Maintenance          | (452.7)   | (477.1)    | (3.7)%   | (3.7)%  | (5.1%)                |
| Passenger Services            | (300.3)   | (331.4)    | (2.5)%   | (2.6)%  | (9.4%)                |
| Other Costs of Sales          | (113.3)   | (94.5)     | (0.9)%   | (0.7)%  | (19.9%)               |

The decrease in cost of sales was driven by lower aircraft fuel expenses, which decreased by 5.6% to US\$4,167.0 million in 2014 as a result of a 3.7% decrease in fuel consumption related to the Company's capacity adjustments and more fuel efficient fleet and a 4.9% decrease in the full year average fuel price (excluding hedge losses). In addition, LATAM recognized a net loss of US\$108.8 million in fuel hedging in 2014, compared to the fuel hedge gain of US\$22.1 million in 2013. The Company also recognized a US\$3.8 million hedge gain related to foreign currency contracts, which were recognized in the fuel cost line.

Depreciation and amortization decreased by US\$50.4 million amounting to US\$991.3 million, which represents a decrease of 4.8% despite the increase in modern owned aircraft mainly as a result of the phase out of leased aircraft with the consequent decrease in maintenance depreciation and the positive impact of the depreciation of the Brazilian real in the year as compared to 2013.

Other rental and landing fees decreased by 3.3% to US\$1,327.2 million in 2014 from US\$1,373.1 million in 2013, mainly resulting from lower aeronautical rates related to the depreciation of local currencies.

Aircraft maintenance expenses decreased by 5.1%, from US\$477.1 million in 2013 to US\$452.7 million in 2014, mainly as a result of fleet renewal initiatives and reduced operations, which was partially offset with higher costs related to aircraft redeliveries as part of our fleet restructuring program.



Aircraft rentals increased by 18.2% to US\$521.4 million in 2014 from US\$441.1 million in 2013 despite fewer leased aircraft, as a result of the incorporation of larger and more modern aircraft under operating leases (i.e. Boeing 787s), whereas returned aircraft have mainly been older and smaller models (i.e. Airbus A319, Boeing 737, Dash8 Q400 aircraft).

Passenger service expenses decreased by 9.4%, to US\$300.3 million in 2014 compared to US\$331.4 million in 2013, despite the increase of 1.7% in passengers transported, mainly due to a decrease in certain variable costs per passenger resulting from better negotiations and/or certain new suppliers, a decrease in passenger compensations and the positive effect of the depreciation of the Brazilian real in suppliers.

As a result of the above, gross margin decreased by 14.0% from US\$2,870.4 million in 2013 to US\$2,469.0 million in 2014.

*Other Consolidated Results*

Other operating income increased in 2014 by 10.5%, from US\$341.6 million in 2013 to US\$377.6 million, mainly due to an increase of US\$93.7 million in revenue from Multiplus' breakage and non-air redemptions during the year.

Distribution costs decreased by 6.6% from US\$1,025.9 million in 2013 to US\$957.1 million in 2014, mainly as a result of lower commissions to agents which decreased by 10.6% from US\$408.7 million to US\$365.5 million, driven by reduced passenger commissions at LAN and TAM related to lower revenues, lower sales fulfillments in some countries and depreciation of local currencies..

Administrative expenses decreased by 13.7% from US\$1,136.1 million in 2013 to US\$980.7 million in 2014, mainly due to a decrease of 5.7% in wages and benefits mainly resulting from the positive impact of the depreciation of the Brazilian real, Chilean peso and Argentinian peso in wages denominated in those currencies.

Other operating expenses decreased by 1.9% from US\$408.7 million in 2013 to US\$401.0 million in 2014, mainly due to a change in the classification of certain taxes in Brazil.

Financial income increased to US\$90.5 million in the year ended December 31, 2014 from US\$72.8 million in 2013, mainly due to an increase in our cash held in currencies different from the US dollar which have higher interest rates during the period.

Financial costs (from non-financial activities) decreased by 7.0% to US\$430.0 million in 2014 from US\$462.5 million in 2013 mainly due to lower debt levels, which was partially offset by a higher average interest rate resulting in part from the securitized bond issued in November 2013. In addition, during the first quarter of the year, we recognized US\$23 million in breakage costs related to the sale and leaseback of 4 of our Boeing 777 aircraft.

Exchange rate differences decreased from a loss of US\$482.2 million in 2013 to a loss of US\$130.2 million in 2014, mainly resulting from the reductions on TAM's balance sheet exposure between assets denominated in Brazilian reais and liabilities denominated in US dollars, which decreased from US\$2.0 billion as of December 2013 to less than US\$1.0 billion as of December 2014. Under other gains (losses), the Company recorded a net gain of US\$33.5 million in 2014 as compared to a net loss of US\$55.4 million in 2013 as a result of mainly due to the prescription and other reversals of tax contingencies at TAM which were recognized at the time of the business combination.

Income tax expense for 2014 amounted to US\$292.4 million as compared to an income tax credit of US\$20.1 million in 2013. This variation includes the recognition of an accounting charge of US\$150.2 million in 2014 due to modifications made to the Chilean Tax System, consisting in a gradual increase of the corporate income tax from 20% to 27% in 2018. For more information, see "—Critical Accounting Policies—Deferred Taxes" below and Note 17 to our audited consolidated financial statements.

**LATAM Airlines Group Financial Results Discussion: Year ended December 31, 2013 compared to year ended December 31, 2012**

The following table sets forth certain income statement data for LATAM Airlines Group, for the year ended December 31, 2013, and for LATAM Airlines Group, for the year ended December 31, 2012 (including TAM's results from June 23, 2012). For certain operating data during these periods, see "Item 3. Key Information—Selected Financial Data."

|   | Year Ended December 31,  |           |  |         | 2013/2012<br>% change |
|---|--|-----------|--|---------|-----------------------|
|   | 2013<br>(in US\$ millions, except per<br>share and capital stock data) | 2012      | 2013<br>As a percentage of total<br>operating revenues | 2012    |                       |
| <b>Consolidated Results of Income by Function</b>                                   |  |           |  |         |                       |
| Operating revenues  |  |           |  |         |                       |
| Passenger   | 11,061.6   | 7,966.8   | 85.6%  | 82.0%   | 38.8%                 |
| Cargo   | 1,863.0  | 1,743.5   | 14.4%  | 18.0%   | 6.9%                  |
| Total operating revenues  | 12,924.5   | 9,710.4   | 100.0%   | 100.0%  | 33.1%                 |
| Cost of sales   | (10,054.2)   | (7,634.5) | (77.8)%  | (78.6)% | 31.7%                 |
| Gross margin  | 2,870.4  | 2,075.9   | 22.2%  | 21.4%   | 38.3%                 |
| Other operating income  | 341.6  | 220.2     | 2.6%   | 2.3%    | 55.1%                 |
| Distribution costs  | (1,025.9)  | (803.6)   | (7.9)%   | (8.3)%  | 27.7%                 |
| Administrative expenses   | (1,136.1)  | (888.7)   | (8.8)%   | (9.2)%  | 27.8%                 |
| Other operating expenses  | (408.7)  | (311.8)   | (3.2)%   | (3.2)%  | 31.1%                 |
| Financial income  | 72.8   | 77.5      | 0.6%   | 0.8%    | (6.1)%                |
| Financial costs (from non-financial activities)                                     | (462.5)  | (294.6)   | (3.6)%   | (3.0)%  | 57.0%                 |
| Earning on investments (equity method)  | 2.0  | 1.0       | 0.0%   | 0.0%    | 100.0%                |
| Exchange rate differences   | (482.2)  | 66.7      | (3.7)%   | 0.7%    | (822.9)%              |
| Result of indexation units  | 0.2  | 0.0       | 0.0%   | 0.0%    | 100.0%                |
| Other gains/(losses)  | (55.4)   | (45.8)    | (0.4)%   | (0.5)%  | 21.0%                 |
| Income (loss) before income taxes   | (283.9)  | 96.7      | (2.2)%   | 1.0%    | (393.6)%              |
| Income (loss) tax expense / benefit   | 20.1   | (102.4)   | 0.2%   | (1.1)%  | (119.6)%              |
| Net income (loss) for the period  | (263.8)  | (5.6)     | (2.0)%   | (0.1)%  | 4,610.7%              |
| Income (loss) for the period attributable to the parent<br>company's equity holders | (281.1)  | (19.1)    | (2.2)%   | (0.2)%  | (1,372.3)%            |
| Income (loss) for the period attributable to non-controlling<br>interests           | 17.3   | 13.4      | 0.1%   | 0.1%    | 29.1%                 |
| Net (loss) income for the year  | (263.8)  | (5.6)     | (2.0)%   | (0.1)%  | 4,610.7%              |
| Earnings per share  |  |           |  |         |                       |
| Basic earnings per share (US\$)   | (0.57613)  | (0.04627) | n.a.   | n.a.    | (1,145.1)%            |
| Diluted earnings per share (US\$)   | (0.57613)  | (0.04627) | n.a.   | n.a.    | (1,145.1)%            |

\* The abbreviation "n.a." means not available.

**Net Loss**

Net loss for the year ended December 31, 2013 equaled US\$ 263.8 million, representing an increase of US\$ 258.2 million from a net loss of US\$5.6 million in 2012. Net loss attributable to the parents of the company rose to US\$ 281.1 million in 2013 from US\$19.1 million in 2012. Results for the 2013 year were negatively impacted by a foreign exchange loss of US\$ 482.2 million mainly resulting from the depreciation of the Brazilian real in the year. On the other hand, in 2012 and 2013, LATAM incurred US\$47.0 and US\$7.3 million, respectively, of non-recurring expenses related to the combination and integration costs, and an accounting charge of US\$70 million related to the increase in the Chilean corporate tax rate from 17% to 20% during 2012.



### Operating Revenues

Operating revenues increased by 33.1% to US\$12,924.5 million for the year ended December 31, 2013 from US\$9,710.4 million in 2012. Our consolidated passenger revenues increased by 38.8% to US\$11,061.6 million in 2013 from US\$7,966.8 million in 2012, primarily as a result of the consolidation of TAM's revenue for 2012 since June 23.

Cargo revenues increased by 6.9%, to US\$1,863.0 million in 2013 from US\$1,743.5 million in 2012, also as a result of the consolidation of TAM's cargo revenues for full year 2013. The slight increase in cargo revenues in spite of TAM's cargo integration is a result of a weak global cargo scenario which has impacted both cargo traffic and yields.

### Cost of Sales

Cost of sales increased by 31.7% to US\$10,054.2 million in the year ended December 31, 2013 from US\$7,634.5 million in 2012, mainly as a result of increased operations due to the complete consolidation of TAM's costs for year 2013. As a percentage of total operating revenues, cost of sales decreased from 78.6% in 2012 to 77.8% in 2013.

The table below presents cost of sales information for the fiscal year ended December 31, 2013 and 2012.

|                               | Year Ended December 31                                    |           |  |         | 2013/2012<br>% change |
|-------------------------------|---|-----------|--|---------|-----------------------|
|                               | 2013<br>(in US\$ millions, except<br>as otherwise stated) | 2012      | 2013<br>As a percentage of total<br>operating revenues | 2012    |                       |
| <b>Revenues</b>               | 12,924.5  | 9,710.4   | 100.0%   | 100.0%  | 33.1%                 |
| <b>Cost of sales</b>          | (10,054.2)  | (7,634.5) | (77.8)%  | (78.6)% | 31.7%                 |
| Aircraft Fuel                 | (4,414.2)   | (3,434.6) | (34.2)%  | (35.4)% | 28.5%                 |
| Wages and Benefits            | (1,884.1)   | (1,431.2) | (14.6)%  | (14.7)% | 31.6%                 |
| Other Rental and Landing Fees | (1,373.1)   | (1,052.6) | (10.6)%  | (10.8)% | 30.4%                 |
| Depreciation and Amortization | (1,041.7)   | (771.1)   | (8.1)%   | (7.9)%  | 35.1%                 |
| Aircraft Rentals              | (441.1)   | (308.8)   | (3.4)%   | (3.2)%  | 42.8%                 |
| Aircraft Maintenance          | (477.1)   | (297.6)   | (3.7)%   | (3.1)%  | 60.3%                 |
| Passenger Services            | (331.4)   | (239.8)   | (2.6)%   | (2.5)%  | 38.2%                 |
| Other Costs of Sales          | (94.5)  | (98.8)    | (0.7)%   | (1.0)%  | (4.3)%                |

The increase in cost of sales was driven by higher aircraft fuel expenses, which increased by 28.5% to US\$4,414.2 million in 2013 as a result of higher fuel consumption related to the incorporation of TAM's operations from June 23, 2012, which was partially offset by lower average fuel prices and efficiency initiatives. In addition, LATAM recognized a net gain of US\$22.1 million in fuel hedging in 2013, compared to the fuel hedge gain of US\$2.8 million in 2012.

Depreciation and amortization increased by US\$270.6 million amounting to US\$1,041.7 million, which represents an increase of 35.1% mainly due to the incorporation of all of TAM's fleet (including new TAM fleet deliveries in 2012) starting June 23, 2012.

Other rental and landing fees increased by 30.4% to US\$1,373.1 million in 2013 from US\$1,052.6 million in 2012, resulting from higher fees related to a larger operation with the consolidation of TAM's fees for full year 2013.

Aircraft maintenance expenses increased by 60.3%, from US\$297.6 million in 2012 to US\$477.1 million in 2013, as a result of higher costs related to a larger fleet and higher maintenance costs related to redeliveries of aircraft.

Aircraft rentals increased by 42.8% to US\$441.1 million in 2013 from US\$308.8 million in 2012, primarily due to the complete consolidation of TAM's fleet for full year 2013 and the net increase of aircraft under operating leases during the year.

Passenger service expenses increased by 38.2%, to US\$331.4 million in 2013 compared to US\$239.8 million in 2012, mainly resulting from the increase in passengers transported after the combination of LAN and TAM.

As a result of the above, gross margin increased by 38.2% from US\$2,075.9 million in 2012 to US\$2,870.4 million in 2013.



*Other Consolidated Results*

Other operating income increased in 2013 by US\$121.4 million, from US\$220.2 million to US\$341.6 million, due to the incorporation of TAM's other revenues since June 22, 2012; including a US\$28.7 million revenue from Multiplus' breakage and non-air redemptions, and an income for recognizing US\$11.9 million and US\$ 8.2 million generated as a result of the sale and lease-back of ten Airbus A330 aircraft, and two Airbus A318 aircraft and an engine, respectively, during the second quarter of the year.

Distribution costs increased by 27.7% from US\$803.6 million in 2012 to US\$1,025.9 million in 2013, as a result of the consolidation of TAM's results only starting in June 23, 2012.

Administrative expenses increased by 27.8% from US\$888.7 million in 2012 to US\$1,136.1 million in 2013, mainly due to an increase of 30.6% in wages and benefits resulting from the higher number of employees following the combination of LAN and TAM in 2012.

Other operating expenses increased by 31.1% from US\$311.8 million in 2012 to US\$408.7 million in 2013, as a result of higher sales costs, advertising and marketing expenses and costs related to tours and travel services, related to the integration of TAM's operations from June 23, 2012.

Financial income decreased to US\$72.8 million in the year ended December 31, 2013 from US\$77.5 million in 2012, due to a lower average cash balance and interest rates during the period.

Financial costs (from non-financial activities) increased by 57.0% to US\$462.5 million in 2013 from US\$292.6 million in 2012 due to higher average long-term debt related to fleet financing mainly related to the consolidation of TAM's fleet.

Exchange rate differences decreased from a gain of US\$66.7 million in 2012 to a loss of US\$482.2 million in 2013, mainly resulting from the depreciation of the Brazilian real in the period.

Under other gains (losses), the Company recorded a net loss of US\$55.4 million in 2013 as compared to a net loss of US\$45.8 million in 2012.

Income tax credit for 2013 amounted to US\$ 20.1 million as compared to an income tax expense of US\$102.4 million in 2012. For more information, see "—Critical Accounting Policies—Deferred Taxes" below and Note 17 to our audited consolidated financial statements.



## Accounting impact of the business combination

The combination between LAN and TAM has been accounted for using the purchase method of accounting, with LAN treated as the acquirer of TAM.

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 of the remaining TAM shareholders. Following this criteria, the total consideration paid as of June 22, 2012 was US\$ 3,782.2 million.

As a result of the consolidation, certain TAM assets and liabilities which were accounted for at historical values were incorporated into the consolidated balance sheet at their fair value, as required by applicable accounting principles. Applicable accountings standards permit a one year measurement period, requiring fair value adjustments completed during that period to be adjusted against previously reported goodwill. As of June 30, 2013, the purchase price allocation has been completed. Previously reported goodwill has been adjusted to reflect fair value changes in this one year period. Goodwill as of June 30, 2013 amounts to US\$ 3,890.2 million.

The main adjustments to the balance sheet accounts of TAM as a result of the consolidation with LATAM Airlines Group were related to the fair values of the following: (i) airport slots (Congonhas, JFK and Heathrow airports); (ii) the Multiplus loyalty program; (iii) fleet; and (iv) other provisions, including legal proceedings with a probability of loss below 50%, which are not accounted for under the normal course of business but must be accounted for under a business combination, according to applicable accounting standards (IFRS 3).

## U.S. Dollar Presentation and Price-Level Adjustments

### General

#### *Foreign currency transactions*

##### (a) Presentation and functional currencies

The items included in the financial statements of LATAM are valued using the currency of the main economic environment in which the entity operates (the "functional currency"). The functional currency of LATAM is the U.S. dollar, which is also the currency of presentation of the audited consolidated financial statements of LATAM and its 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.

##### (c) Group entities

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

- (i) Assets and liabilities of each consolidated statement of financial position are translated at the closing exchange rate on the date of the consolidated statement of financial position;
- (ii) The revenues and expenses of each results account are translated at monthly average rates; and
- (iii) All the resultant exchange differences are shown as a separate component in net equity.

For consolidation purposes, exchange differences arising from the translation of a net investment in foreign entities (or in local entities with a functional currency different to that of the parent), and of loans and other foreign currency instruments designated as hedges for such 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 period-end exchange rate.





*Effects of Exchange Rate Fluctuations*

Our functional currency is the U.S. dollar in terms of the pricing of our products, composition of our balance sheet and effects on our results of operations. Most of our revenues (58% expected for 2015) are in U.S. dollars or in prices pegged to the U.S. dollar and a substantial portion of our expenses (65% expected for 2015) is denominated in dollars or pegged to the U.S. dollar, particularly fuel costs, landing and over flight fees, aircraft rentals, insurance and aircraft components and supplies.



A substantial majority of our liabilities are denominated in U.S. dollars (74% as of December 31, 2014), including bank loans, certain air traffic liabilities, and certain amounts payable to our suppliers. As of December 31, 2014, 54 % of our assets were denominated in U.S. dollars, principally aircraft, cash and cash equivalents, accounts receivable and other fixed assets. Substantially all of our commitments, including operating lease and purchase commitments for aircraft, are denominated in U.S. dollars.

On the other hand, balance sheet imbalance denominated in currencies other than the functional currency of the specific entity creates a foreign exchange rate exposure that impacts the foreign exchange losses and gains due to exchange rate fluctuations. We recorded net foreign exchange losses of US\$482.2 million in 2013 and US\$130.2 million in 2014, which are set forth in our consolidated statement of income under "Foreign Exchange gains/(losses)". For more information, see Notes 2.3 and 28 to our audited consolidated financial statements.

### IFRS/Non-IFRS Reconciliation

We use "Cost per ASK-equivalent" and "Cost per ASK-equivalent excluding fuel price variations" in analyzing operating expenses on a per unit basis. "ASKs" (available seat kilometers) measures the number of seats of capacity available for the transportation of passengers multiplied by the kilometers flown. "ASK-equivalent" includes capacity for both passenger and cargo equivalent tons multiplied by the kilometers flown. The figure is obtained by adding passenger ASKs and the quotient of cargo ATKs (available ton kilometers) divided by 0.095. To obtain our unit costs, which are used by our management in the analysis of our results, we divide our "total costs" by our total ASK-equivalents. "Total costs" are calculated by starting with operating expenses as defined under IFRS and making certain adjustments for interest costs and other revenues. The cost component is further adjusted to obtain "costs per ASK-equivalents excluding fuel price variations," in order to remove the impact of changes in fuel prices for the year. "Cost per ASK-equivalent" and "Cost per ASK-equivalent excluding fuel price variations" do not have a standardized meaning, and as such may not be comparable to similarly titled measures provided by other companies. These metrics should not be considered in isolation or as a substitute for operating expenses or as indicators of performance or cash flows or as a measure of liquidity.

The table below reconciles our operating expenses (as defined by IFRS) for 2014, 2013 and 2012 to costs used in the calculation of "Cost per ASK-equivalent" and "Cost per ASK-equivalent excluding fuel price variations" for such periods. Figures for 2012 correspond to LATAM's consolidated audited financial statements prepared in accordance with IFRS for the year ended December 31, 2012, including TAM's consolidated costs from June 23, 2012 and TAM's third and fourth quarter operating statistics.

|  | 2014       | 2013       | 2012       |
|--|------------|------------|------------|
| <b>Cost per ASK-equivalent</b>   |            |            |            |
| Operating expenses (US\$ thousands)                                    | 11,957,780 | 12,622,197 | 9,625,466  |
| + Interest expense (US\$ thousands)                                    | 430,034    | 462,524    | 294,598    |
| – Interest income (US\$ thousands)                                     | 90,500     | 72,828     | 77,489     |
| – Other operating income (US\$ thousands)                              | 377,645    | 341,565    | 220,156    |
| ASK-equivalent operating expenses                                      | 11,919,669 | 12,670,328 | 9,622,419  |
| Divided by system's ASK-equivalents (thousands)                        | 206,197.91 | 212,236.83 | 161,209.26 |
| = Cost per ASK equivalent (US\$ cents)                                 | 5.78       | 5.97       | 5.97       |
| <b>Cost per ASK-equivalent excluding fuel price variations</b>         |            |            |            |
| ASK-equivalent operating expenses (thousands)                          | 11,919,669 | 12,670,328 | 9,622,419  |
| – Actual fuel expenses (US\$ thousands)                                | 4,170,848  | 4,414,249  | 3,434,569  |
| + (Gallons consumed) times (previous year's fuel price)                | 4,251,036  | 4,675,532  | 2,952,257  |
| ASK-equivalent operating expenses excluding fuel price variations      | 11,999,857 | 12,931,611 | 9,140,107  |
| Divided by system's ASK-equivalents (thousands)                        | 206,197.91 | 212,236.83 | 161,209.26 |
| = Cost per ASK-equivalent excluding fuel price variations (US\$ cents) | 5.82       | 6.09       | 5.67       |

In addition, LATAM continues to use revenues per ASK or ATK, as applicable, in analyzing revenues on a per unit basis, which is consistent with how LAN analyzed its revenues before the combination. To obtain unit revenues, we divide our passenger revenues by our total ASKs and our cargo revenues by our total ATKs. We use our revenues as defined under IFRS for purposes of the calculation of this metric. Revenues per ASK or ATK, as the case may be, do not have a standardized meaning, and as such may not



be comparable to similarly titled measures provided by other companies. This metric is not an IFRS based measure of performance or liquidity. It should not be considered in isolation or as a substitute for revenues or as indicators of performance or cash flows as a measure of liquidity.

The table below shows the calculation of our revenues per ASK or ATK, as applicable, in each of the periods indicated. Figures for 2012 correspond to LATAM’s consolidated audited financial statements prepared in accordance with IFRS for the year ended December 31, 2012, including TAM’s consolidated revenues from June 23, 2012.

|  | 2014         | 2013         | 2012         |
|--|--------------|--------------|--------------|
| Passenger Revenues (US\$ million)          | 10,380.12    | 11,061.56    | 7,966.85     |
| ASK (million)                              | 130,200.94   | 131,690.60   | 93,318.15    |
| <b>Passenger Revenues/ASK (US\$ cents)</b> | <b>7.97</b>  | <b>8.40</b>  | <b>8.54</b>  |
| Cargo Revenues (US\$ million)              | 1,713.38     | 1,862.98     | 1,743.53     |
| ATK (million)                              | 7,219.71     | 7,651.88     | 6,449.50     |
| <b>Cargo Revenues/ATK (US\$ cents)</b>     | <b>23.73</b> | <b>24.35</b> | <b>27.03</b> |

**Seasonality**

Our operating revenues are substantially dependent on overall passenger and cargo traffic volume, which is subject to seasonal and other changes in traffic patterns. Our passenger revenues are generally higher in the first and fourth quarters of each year, during the southern hemisphere’s spring and summer. In the Brazilian passenger air transportation market, there is always a higher demand for air transportation services in the second half of the year, leaving the second quarter as the weakest one for the Company. However, the seasonality is partially mitigated by the fact of LATAM having higher than market average concentration of business travel (which is less sensitive to seasonality). Additionally, the expansion of the Company in other countries with different seasonal patterns has also moderated the overall seasonality of the passenger business.

**Critical Accounting Policies**

The preparation of our consolidated financial statements in accordance with IFRS requires our management to adopt accounting policies and make estimates and judgments to develop amounts reported in our consolidated financial statements and related notes. We strive to maintain a process to review the application of our accounting policies and to evaluate the appropriateness of the estimates that are required to prepare our consolidated financial statements. We believe that the consistent application of these policies enables us and our subsidiaries to provide readers of the financial statements with more useful and reliable information about our operating results and financial condition.

Critical accounting policies and estimates are those that are reflective of significant judgments and uncertainties, and potentially result in materially different outcomes under different assumptions and conditions. For a discussion on these and other accounting policies, see Note 2 to our consolidated financial statements. The following are the accounting policies that we believe are the most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective or complex judgments.

*Accounting estimates and judgments*

The Company has used estimates to value and book some of the assets, liabilities, revenues, expenses and commitments; these basically refer to:

- The evaluation of possible impairment loss for certain assets.
- The useful life and residual value of fixed assets and intangible assets.
- The criteria employed in the valuation of certain assets.
- Air tickets sold that are not actually used.
- The calculation of deferred income at the period-end corresponding to the valuation of kilometers or points credited to holders of the loyalty programs which have not yet been used.
- The need for provisioning and where required the determination of their values.
- 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 them to be modified in the future, in which case the effects would be accounted for prospectively.



The management has applied judgment in determining that LATAM Airlines Group S.A. has control over TAM S.A. and Subsidiaries for accounting purposes and therefore has consolidated their financial statements. This judgment is made on the basis that LATAM issued their ordinary shares in exchange for all of the outstanding common and preferred shares of TAM, except those shareholders of TAM who did not accept exchange and which were subject of the squeeze-out entitling LATAM to substantially all of the economic benefits that will be generated by the LATAM Group and also, consequently, exposing it to substantially all the risks incidental to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the TAM controlling shareholders, ensuring that the shareholders and directors of TAM will have no incentive to exercise their rights in a manner that is beneficial to TAM but detrimental to LATAM. Further, all significant actions required for the operation of the airlines require the affirmative vote of both LATAM and the TAM controlling shareholders.

Since the integration of LAN and TAM operations, most critical airline activities in Brazil have been managed under the TAM CEO and global activities have been managed by the LATAM CEO, who is in charge of the overall operation of the LATAM Group and who reports to the LATAM board. Further, the LATAM CEO evaluates the performance of the LATAM Group executives and, together with the LATAM board, determines compensation. Although there are restrictions on voting interests that currently may be held by foreign investors under Brazilian law, LATAM believes that the economic substance of these arrangements satisfies the requirements established by the applicable accounting standards and that consolidation by LATAM of TAM's operations is appropriate.

#### *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*

###### *a.1 Passenger and cargo transport*

We recognize passenger and cargo revenues either when the transportation service is provided or when we determine that the tickets will not be used or refunded, which, in the case of passenger revenues, reduces the air traffic liability. We estimate revenue breakage based on historical breakage experience that takes into account the aging of tickets that will not be used or refunded. Commissions payable related to such unearned earnings are shown net of the air traffic liability. Other revenues, including aircraft leases, courier, logistic and ground services, duty free sales, and storage and customs brokering, are recognized when services are provided.

The amount of passenger ticket sales not yet recognized as revenue is reflected as an air traffic liability. Air traffic liability includes estimates of the amount of future refunds and exchanges, net of forfeitures for all unused tickets once the flight date has passed. We perform periodic evaluations of this estimated liability based on actual results. Any adjustments, which can be significant, are included in the results of operations for the periods in which the evaluations are completed. These adjustments relate primarily to the differences between our estimation of certain revenue transactions and the related sales price, as well as refunds, exchanges and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Actual events and circumstances may differ from historical fare sale activity and customer travel patterns and can result in refunds, exchanges or forfeited tickets differing significantly from estimates. We evaluate our estimates periodically. If actual refunds, exchanges or forfeitures fall outside of our estimated ranges, we review our estimates and assumptions and adjust air traffic liability and passenger revenues as necessary. As with any estimates, actual results may vary from estimated amounts.

###### *a.2 Frequent flyer program*

The Company has a frequent flyer program for LATAM passengers called LANPASS and a frequent flyer program for TAM passengers called TAM Fidelidade. Customers can also earn points through Multiplus, a subsidiary of TAM, which permits the accrual of points for many products and services (not just airline flights) and has more than 200 partner establishments, including the TAM Fidelidade program, as of December 31, 2014.

Both frequent flyer programs' objective is customer loyalty through the delivery of LANPASS kilometers or Multiplus points every time that members of the program fly with the Company or its alliance partners, use the services of entities registered with the program or make purchases with an associated credit card. The kilometers/points earned can be exchanged for flight tickets or other services of associated entities.

The consolidated financial statements include LANPASS liabilities for this concept (deferred income), according to the estimate of the valuation established for the kilometers accumulated pending use at that date, in accordance with IFRIC 13: "Customer loyalty programs." Points earned from TAM Fidelidade members are bought from Multiplus and seats redeemed are sold to Multiplus. Multiplus manages the points liabilities. Revenue from both programs are recognized once the purchased tickets are flown.



LANPASS Kilometers expire if they are not utilized over a period of three years. This period is renewable if the passenger takes a flight or meets specific requirements regarding the accumulation of kilometers through one of the partners of the program. Multiplus Points expire if they are not utilized over a period of two years, this period is not renewable.

#### *Property, Plant and Equipment*

LATAM's land is recognized at cost less any accumulated impairment loss. The rest of the property, plant and equipment are shown, initially and subsequently, at their historic cost less the corresponding depreciation and any impairment loss.

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

Subsequent costs (replacement of components, improvements and extensions) 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 result of the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method over their estimated 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 is revised, and adjusted if necessary, once a year.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is reduced immediately to its recoverable amount. For more information, see Note 2.8 to our audited consolidated financial statements.

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

#### *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 costs are capitalized as Property, plant and equipment, while in the case of off balance sheet aircraft maintenance costs are periodically provided for and recognized through profit and loss as "Cost of sales".

Additionally, under some of our aircraft operating leases, prepayment deposits are required in order to ensure that funds are available to support the scheduled heavy maintenance of the 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. The Company periodically reviews its maintenance reserves for each of its leased aircraft to ensure that they will be recovered, a process that requires judgment, and recognizes an expense if any such amounts are less than probable of being returned.

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

#### *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 a 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 an Other non-current financial asset or liability if the remaining maturity of the hedging instrument is over 12 months, and as an Other current financial asset or liability if the remaining term of the hedging instrument is less than 12 months. Derivatives not booked as hedges are classified as other financial assets or liabilities, current in the case that their remaining maturity is less than 12 months and non-current in the case that it is more than 12 months.

*(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 designated derivatives that qualify as cash flow hedges is shown in net equity. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of income under "Other gains (losses)." Amounts deferred in equity are reclassified to profit and loss when the related hedged item impacts profit and loss.

In the case of variable interest-rate hedges, this means that the amounts recognized in equity are reclassified to results within financial cost at the same time the associated debts accrue interest.

For fuel price hedges, the amounts shown in equity are reclassified to results as Cost of sales to the extent that the fuel subject to the hedge is used.

For Multiplus' foreign currency hedges, the amounts shown in equity are reclassified to results to the extent that the 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 net equity until that moment remains in equity 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 net equity 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)."

*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 other than 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 end of the reporting period, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is 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. Estimating the level of tax earnings for this purpose requires considerable judgment.

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.

**Recently Issued Accounting Pronouncements**

- IAS 1 Presentation of financial statements (Amendment issued in December 2014) (\*)
- IAS 16 Property, plant and equipment (Amendment issued in May 2014 and June 2014) (\*)
- IAS 19 Employee benefits (Amendment issued in November 2013)
- IAS 27 Separate financial statements (Amendment issued in August 2014)(\*)
- IAS 28 Investments in associate and joint ventures (Amendment issued in September 2014 and December 2014) (\*)
- IAS 32 Financial instruments: Presentation (Amendment issued in December 2011)



- IAS 36 impairment of assets (issued in May 2013) The company adopted in advance this amendment at December 31,2013
  - IAS 38 Intangible assets (Amendment issued in May 2014) (\*)
  - IAS 39 Financial instruments: Recognition and measurement (issued in June 2013)
  - IFRS 9 Financial instruments (issued in December 2009 and amendment in November 2013) (\*)
  - IFRS 10 Consolidated financial statements (Amendment issued in September 2014 and December 2014)(\*)
  - IFRS 11 Joint arrangements (Amendment issued in May 2014) (\*)
  - IFRS 12 Disclosures of interests in other entities (issued in December 2014) (\*)
  - IFRS 15 Revenue from contracts with customers (issued in June 2014) (\*)
  - Improvements issued in 2012
    - (i) IAS 27 Separate financial statements, IFRS 10 Consolidated financial statements and IFRS 12 Disclosure of interest in other entities (October 2012)
  - Improvements issued in 2013
    - (i) IFRS 2 Share-based payment (Dec 2013)
    - (ii) IFRS 3 Business combinations (Dec 2013)
    - (iii) IFRS 8 Operating segments (Dec 2013)
    - (iv) IFRS 13 Fair value measurement (Dec 2013)
    - (v) IAS 16 Property, plant and equipment (Dec 2013)
    - (vi) IAS 24 Related party disclosures (Dec 2013)
    - (vii) IFRS 1 Frist-time adoption of International Finance Reporting Standards (Dec 2013)
    - (viii) IAS 40 Investment property (Dec 2013)
  - Improvements issued in 2014
    - (i) IAS 19 Employee benefits (September 2014) (\*)
    - (ii) IAS 34 Interim financial reporting (September 2014) (\*)
    - (iii) IFRS 5 Non-current assets held for sale and discontinued operations (September 2014) (\*)
    - (iv) IFRS 7 Financial instruments: Disclosures (September 2014) (\*)
  - IFRIC 21 Levies (\*)
- (\*) Standards not yet effective.

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

## B. Liquidity and Capital Resources

LATAM cash and cash equivalents totaled US\$989.4 million as of December 31, 2014, US\$1,984.9 million as of December 31, 2013 and US\$650.3 million as of December 31, 2012. Additionally, the Company had short term marketable securities totaling US\$544.4 million as of December 31, 2014, US\$576.7 million as of December 31, 2013 and US\$470.1 million as of December 31, 2012. In the aggregate, LATAM's cash and marketable securities totaled US\$1,533.8 million as of December 31, 2014, US\$2,561.6 million as of December 31, 2013 and US\$1,120.3 million as of December 31, 2012.

The US\$1,027.8 million decrease in our cash and marketable securities from 2013 to 2014 was mainly due to the execution of the deleveraging plan, the negative impact of the FIFA World Cup, and the weaker global economic scenario in Latin America. Changes in our net cash generated from operating, investing and financing activities are described below.





**Cash position and liquidity**

The following table provides a summary of our cash flows from operating activities, investing activities and financing activities for the years ended December 31, 2014, 2013 and 2012 and our total cash position as of December 31, 2014, 2013 and 2012.

|  | 2014               | 2013      | 2012      |
|--|--------------------|-----------|-----------|
|  | (in US\$ millions) |           |           |
| Net cash flows from operating activities                               | 1,331.4            | 1,408.7   | 1,203.8   |
| Net cash flow from (used in) investing activities                      | (899.1)            | (1,278.8) | (1,926.4) |
| Net cash flows from (used in) financing activities                     | (1,320.2)          | 1,205.8   | 1,005.2   |
| Effects of variation in the exchange rate on cash and cash equivalents | (107.6)            | (1.0)     | (6.7)     |
| Cash and cash equivalents at the beginning of the year                 | 1,984.9            | 650.3     | 374.4     |
| Cash and cash equivalents at the end of the year                       | 989.4              | 1,984.9   | 650.3     |

In addition to the cash and marketable securities LATAM has access to short term credit lines. As of December 31, 2014, LATAM had working capital uncommitted credit facilities for a total amount of US\$ 1,827 million, of which US\$953million was drawn as of December 31, 2014, and committed credit lines with a total available amount of US\$145 million, of which \$0 was drawn as of December 31, 2014.

**Net cash flows from operating activities**

Cash from operations is derived primarily from providing air passenger and cargo transportation to customers. Operating cash outflows are primarily related to the recurring expenses of airline operations, including fuel consumption.

Net cash inflows from operating activities in 2014 decreased US\$77.3 million, or 5.5%, from US\$1,408.7 million, mainly due to the negative impact of the FIFA World Cup on LATAM’s operating margin, as well as a generally weaker macroeconomic scenario in Latin America, including slower GDP growth trends and weaker currencies in most countries. In addition the net cash from operations was negatively affected by fuel hedge, hedging margin guarantees and other guarantees in US\$ 251.7 million (for more information see to Note 6 – Cash and Cash Equivalents of our audited consolidated financial statements). Nevertheless, the negative effect was compensated by the cash received from the renewal of the Santander and LANPASS exclusive co-branding agreement.

Net cash inflows from operating activities in 2013 increased \$204.9 million, or 17.0%, from US\$1,203.8 million in 2012, primarily due to an improvement in the operational margin and the turnaround of the Brazilian domestic market, mainly reflected in a stronger fourth quarter operational result.

**Net cash flow from (used in) investing activities**

Net cash used in investing activities in 2014 decreased US\$379.7 million from US\$1,278.8 million in 2013 to US\$899.1 million in 2014, due to an increase in aircraft sales of US\$265.8 and a decrease in Aircraft CAPEX of US\$497.8 million, driven by a decrease in aircraft purchases from 20 narrow body aircraft to 9 and 4 wide body aircraft to 3. This reduction was partially offset by an increase in purchases of property, plant and equipment non related to purchase of new aircrafts of US\$556.4. It is important to note that during 2014 the sale and leaseback of 4 B777 was reflected in an asset sale of US\$510.5 million and a reduction of debt of US\$516.6 million.

Net cash used in investing activities in 2013 decreased US\$647.6 million from US\$1,926.4 million in 2012 to US\$1,278.8 million in 2013, primarily due to the decrease in capital expenditure and the return of PDP payments relating to the aircraft deliveries. Aircraft purchases in 2013 included 20 narrow body aircraft and 4 wide body aircraft for a total of US\$1,219 million.

**Net cash flows from (used in) financing activities**

Net cash used in financing activities was (US\$1,205.8 million), a decrease of US\$2,526.0 million from the US\$1,205.8 million in cash generated by financing activities in 2013. The variation resulted primarily from a liability restructuring, including an important reduction of outstanding debt and an increase in debt repayment, mainly the US dollar denominated debt of TAM S.A. of US\$1,327.6 million (for more information see to Note 18-Other Financial Liabilities of our audited consolidated financial statements). The decrease in the net cash generated was also affected by the net effect of the capital increase, where US\$888.6 million was accounted for in 2013 and US\$156.3 million during the first quarter of 2014.



Net cash generated from financing activities increased by US\$200.6 million from US\$1,005.2 million to US\$1,205.8 million in 2013, primarily due to LATAM's capital increase, the increase of long term debt related to new aircraft purchases, but partially offset by the voluntary prepayment of BRL 400 million of local Brazilian bonds.

**Sources of financing**

*Long term*

We typically finance our fleet with long-term loans covering between 80% and 100% of the net purchase price. We also finance our aircraft under sale and leaseback arrangements in order to add flexibility to our fleet. For more information regarding to the fleet financing, please refer to “—F. Tabular Disclosure of Contractual Obligations.”



From time to time in the past, we have considered, and may consider in the future, other forms of financing including securitization of ticket receivables or the securitization of fleet and engines or the issuance of additional debt or equity securities.

*Short term*

We have generally been able to arrange for short-term loans with local Chilean and international banks when we have needed to finance working capital expenditures or increase our liquidity. As of December 31, 2014, we maintained US\$537 million in short-term credit lines with both local and foreign banks, including US\$210 million of committed credit lines.

We have diversified our sources of short term financing to include the following: PAE (“*Prestamos a Exportadores*”), which are foreign currency short term loans granted to exporting parties in Chile mainly to finance working capital; Credit card advancements, a financial alternative where the bank advances to the Company the cash inflows related to the credit card sales on installments with a discount factor; and advance purchases by Multiplus of kilometers for TAM flights, in an amount at any time up to a maximum of R\$500 million.

**Capital expenditures**

Our capital expenditures are related to the acquisition of aircraft, aircraft-related equipment, IT equipment, support infrastructure and the funding of pre-delivery deposits. LATAM’s capital expenditures totaled US\$1,440.4 million in 2014, US\$1,381.8 million in 2013 and US\$2,389.4 million in 2012. See “—Sources of financing” above.

The following chart sets forth our estimate, as of December 31, 2014, of our future capital expenditures for, 2015, 2016, 2017, 2018 and 2019 calendar years:

|                                   | Estimated capital expenditures by year,<br>as of December 31, 2014 |              |              |              |              |
|-----------------------------------|--|--------------|--------------|--------------|--------------|
|                                   | 2015   | 2016         | 2017         | 2018         | 2019         |
|                                   | (in US\$ millions)   |              |              |              |              |
| Fleet Commitments                 | 1,688  | 2,343        | 2,471        | 2,903        | 1,229        |
| PDPs <sup>(1)</sup>               | 311  | 165          | -432         | -651         | -18          |
| Purchase Obligations              | 1,999  | 2,508        | 2,039        | 2,252        | 1,211        |
| Other expenditures <sup>(2)</sup> | 405  | 373          | 293          | 295          | 108          |
| <b>Total</b>                      | <b>2,404</b>   | <b>2,881</b> | <b>2,332</b> | <b>2,547</b> | <b>1,319</b> |

- (1) Represents pre-delivery payments made by LATAM, or inflows received by LATAM after the delivery of the aircraft is made, when the manufacturer refunds the PDPs to LATAM.
- (2) Includes expenditures on spare engines and parts, information technology and other expenditures.

The expenditures set out in the table above reflect payments for purchases and other fleet-related items, as well as for information technology and other items. See “Item 4. Information on the Company—Business Overview—Fleet.” We have projected our capital expenditures based on our anticipated deliveries of aircraft fleet. See “—F. Tabular Disclosure of Contractual Obligations” below for a description of our purchase obligations, borrowings and other contractual commitments as of December 31, 2014.

**C. Research and Development, Patents and Licenses, etc.**

LATAM has registered the trademarks “LAN,” “LAN Chile,” “LAN Peru,” “LAN Argentina” and “LAN Ecuador” with the trademark office in Chile, Peru, Argentina and Ecuador, respectively. We license certain brands, logos and trade dress under the alliance agreement with oneworld® related to LAN’s alliance. As long as LAN is a member of oneworld®, it will have the right to continue to use current logos on its aircraft.

TAM holds or has filed registration applications for 135 trademarks before the Instituto Nacional da Propriedade Industrial, or INPI, the body with jurisdiction for registering trademarks and patents in Brazil, and 105 trademarks before the bodies with jurisdiction for registering trademarks in other countries in which TAM operates. Currently, TAM is not aware of any third-party challenges to these applications.

**D. Trend Information**

For 2015, LATAM expects total passenger ASK growth to be between 2% and 4%. International passenger ASK growth for full year 2015 is expected to grow between 4% and 6%. TAM’s domestic passenger ASKs in the Brazilian market are expected to be flat during 2015. ASKs in Spanish-speaking countries are expected to increase by approximately 4% to 6%.



In the passenger business, we expect to continue to face increased competition, a weaker macroeconomic environment in South America, and depreciated local currencies, putting pressure on yields throughout the region for all players in the industry. Nevertheless, the Company will continue to develop initiatives to improve our operations, with special focus in customer experience and network. Moreover, LATAM's unique leadership position in a region with growth potential will allow us to continue building our business model in the future.



Regarding cargo operations, LATAM expects cargo ATKs to increase between 1% and 3% for full year 2015, driven by increased availability in the bellies of passenger aircraft.

In the cargo business, we continue to be adversely affected by the challenging macroeconomic environment, which is directly correlated with the number of tons being transported and by the fact that weaker cargo markets globally might further drive additional competition to South America, especially Brazil. However we expect partially offset this negative impact with solid export volumes from Latin America to the United States and Europe. Also, we plan to continue to optimize the utilization of the bellies of our passenger aircraft to maximize synergies associated with the Company's integrated passenger/cargo business model.

We continue to maintain significant flexibility to adjust the physical size of our fleet. Between 2015 and 2016, we will have 43 operating lease expirations in our passenger fleet and 2 operating lease expirations in our passenger and cargo fleet, which leases can thereafter be terminated without additional costs.

As a result, the Company has more flexibility, as well as a proven track record of acting quickly to adapt our business to economic challenges. In this context, LATAM has developed a robust strategic plan for the next four years (2015-2018), based on three critical success factors: Customer Experience, Network, and Efficiency and Cost Reduction. This plan will improve the way we work, allowing us to become one of the best airline groups in the world, renewing our commitment to sustained profitability and superior shareholder returns.

Cost savings include reductions in fuel and fees, procurement, operations, overhead, and distribution costs, among others. The company has already started work on cost initiatives in all these areas.

Regarding fuel, we expect jet fuel prices will continue to be volatile in 2015, and we will continue to use fuel hedging programs and fuel surcharge mechanisms in both the passenger and cargo businesses to help minimize the impact of short-term movements in crude oil prices.

LATAM has hedged approximately 30% of its estimated fuel consumption for the first quarter of 2015, 25% of its average estimated fuel consumption for the second quarter of 2015, 39% of its average estimated fuel consumption for third quarter 2015, and 39% of its average estimated fuel consumption for fourth quarter 2015. The Company's fuel hedging strategy consists of a combination of collars, swaps and call options for Brent and Jet Fuel.

#### E. Off-Balance Sheet Arrangements

As of December 31, 2014 the Company had 107 aircraft (of which 70 are obligations of TAM and 37 are obligations of LAN) and 23 aircraft engines under operating leases. These operating leases provide us with flexibility to adjust our fleet to any demand volatility that may affect the airline industry and therefore we consider such arrangements to be of great value to our strategy and financial performance. The total future lease payments related to our operating leases as of December 31, 2014 were US\$ 2,155 million, for all remaining periods through maturity (the latest of which expires in 2026). See "—F. Tabular Disclosure of Contractual Obligations."

Under the aforementioned operating leases, LATAM is responsible for all maintenance, insurance and other costs associated with operating these aircraft. The Company has not made any residual value or similar guarantees to our lessors. There are certain guarantees and indemnities to other unrelated parties that are not reflected on the Company's balance sheet, but we believe that these will not have a significant impact on our results of operations or financial condition.

LATAM operates 17 aircraft under tax leasing structures. These methods involve the creation of special purpose entities that acquire aircraft with bank and third party financing. Under IFRS, eight of these aircraft are shown in the consolidated statement of financial position as part of "Property, plant and equipment" and the corresponding debt is shown as a liability and nine TAM tax leases are classified as operating leases for accounting purposes as of December 31, 2014.

As of December 31, 2014, we are not aware of any event, lawsuit, commitment, trend or uncertainty that may result in, or is reasonably likely to result in, the termination of the operating leases. See Note 33 to our audited consolidated financial statements for a more detailed discussion of these commitments.

#### F. Tabular Disclosure of Contractual Obligations

We have contractual obligations and commitments primarily related to the payment of aircraft debt and lease arrangements, principal and interest on our non-aircraft long-term debt (which consists of senior notes, a securitized bond and bank loans), and short-term export-import credits for the future incorporation of aircraft to our fleet.

The Company's debt that is secured by aircraft (including Export-Import Bank of the United States ("EX-IM Bank") Bank guaranteed bonds, Export Credit Agency ("ECA") guaranteed loans, commercial loans, Japanese Leases with a call option ("JOLCO")



structures and capital leases) as of December 31, 2014, was US\$6,221 million. In general, LATAM’s aircraft debt has 12 year repayment profiles. However, some financing structures feature a balloon payment or a purchase option at the end of the lease. By refinancing this balloon payment, the maturity dates of a number of our aircraft financings have been extended for another 3 to 8 years. Our 2014 aircraft acquisitions are described in further detail below under “—2014 Fleet Acquisitions.”

Regarding non-aircraft debt, LATAM issued a securitized bond for an amount of US\$ 450 million in November 2013 with seven years tenor and two years interest only. This bond is backed by future flows of credit card sales of LATAM Airlines in the United States and Canada. The coupon is 6.0% fixed with quarterly payments.

In addition, TAM has three series of senior notes, totaling US\$1,100 million. TAM’s senior notes comprise:

- US\$300 million due in 2017, with a fixed coupon of 7.375% payable semi-annually, issued by TAM Capital Inc. and guaranteed on a senior unsecured basis by TAM S.A. and TAM Linhas Aereas. These notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. On December 18, 2007, TAM completed an exchange offer pursuant to which 99.2% of the holders exchanged these notes for new notes that are registered under the Securities Act and otherwise have identical terms;
- US\$300 million due in 2020, with a fixed coupon of 9.5% payable semi-annually, issued by TAM Capital 2 Inc. and guaranteed on a senior unsecured basis by TAM S.A. and TAM Linhas Aereas; and
- US\$500 million due in 2021, with a fixed coupon of 8.375% payable semi-annually, issued by TAM Capital 3 Inc. and guaranteed on a senior unsecured basis by TAM S.A. and TAM Linhas Aereas.

The average interest rate of all of our long term debt (which is our aircraft debt plus the senior notes issued by TAM, the LATAM securitization and bank loans) was 3.68% as of December 31, 2014. Out of the total long-term debt, 68.8% accrues interest at a fixed rate (either through a stated fixed interest rate or through the use of interest rate swap agreements) or is subject to interest rate caps.

As of December 2014, LATAM had US\$1,308.3 million in current debt liabilities. Of this amount, US\$552.5 million was short-term debt, which represents 42% of our total current debt liabilities. The remaining US\$755.7 million is composed mainly of amounts payable within the next 12 months related to aircraft financing.

Various EX-IM Bank loans signed by LATAM for the financing of Boeing 767, 777, 777 freighter and 787 aircraft contain financial covenants and other restrictions, including restrictions in terms of its shareholder composition and disposal of assets. As of December 31, 2014, we also had purchase obligations totaling US\$ 11.7 billion, with deliveries between 2015 and 2021, as set forth below:

- Airbus A320-Family, passenger aircraft deliveries: 97,
- Wide-body passenger aircraft deliveries (which include the Airbus A350 900XWB, the Boeing 787-8, and the Boeing 787-9):49, and
- Boeing 777-Freighter, cargo aircraft deliveries: 2

The following table sets forth our material expected obligations and commitments as of December 31, 2014:

| (US\$ in millions)                        | Payments due by period, as of December 31, 2014 |                   |                   |                   |                   |
|---|---|-------------------|-------------------|-------------------|-------------------|
|   | Total   | Less than 1 year  | 1-3 years         | 3-5 years         | More than 5 years |
| Long-term debt obligations <sup>(1)</sup> | US\$ 4,727                                      | US\$ 587          | US\$ 1,138        | US\$ 911          | US\$ 2091         |
| Capital (finance) lease obligations       | US\$ 1,629                                      | US\$ 350          | US\$ 611          | US\$ 413          | US\$ 256          |
| Operating lease obligations               | US\$ 2,155                                      | US\$ 512          | US\$ 766          | US\$ 436          | US\$ 441          |
| Fleet Commitments <sup>(2)</sup>          | US\$ 11,689                                     | US\$ 1,688        | US\$ 4,814        | US\$ 4,132        | US\$ 1,055        |
| <b>TOTAL</b>                              | <b>US\$ 20,200</b>                              | <b>US\$ 3,137</b> | <b>US\$ 7,329</b> | <b>US\$ 5,892</b> | <b>US\$ 3,843</b> |

(1) Long-term debt obligations reflect principal payments on outstanding debt obligations, including aircraft debt, senior notes issued by LAN and TAM and long term bank loans.

(2) Fleet commitments represents the capex equivalent of purchasing all fleet arrivals



**2014 Fleet Acquisitions**

During 2014, LATAM completed the acquisition of the following wide body aircraft:

- 3 Boeing 787 816 passenger aircraft, financed through EX IM Bank guaranteed bonds
- 2 Boeing 787 816 passenger aircraft, financed through sale & lease back transactions.

These EX-IM Bank financial obligations have a repayment profile of 12 years, with a guarantee covering 85% of the net purchase price of the aircraft. The EX-IM Bank guarantee is secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of EX-IM Bank. We have financed the remaining 15% of the net purchase price with our own funds.

Finally, the 2 Boeing 787-8 aircraft financed through sale and leaseback transactions have lease terms of 12 years. These leases are denominated in U.S. dollars and have monthly payments

During 2014, LATAM completed the acquisition of the following narrow body aircraft:

- 9 A321 231 passenger aircraft, financed through commercial loans.
- 4 A320 214 and 2 A321 231, financed through Sale & Lease Back

The commercial financing for these 9 Airbus 321-231 aircraft consists of a senior tranche financing 81.7% of the net purchase price of the aircraft. A first priority mortgage on the aircraft exists in favor of a security trustee on behalf of the senior lender. The documentation for each loan follows standard market forms for the type of financing, including standard events of default

Finally, narrow body aircraft financed through sale and leaseback transactions have lease terms of 8 years. These leases are denominated in U.S. dollars and have monthly payments.

The majority of our wide body and narrow body aircraft financings through EX-IM Bank bonds, ECA guaranteed loans or commercial loans are denominated in U.S. dollars and have quarterly amortizations with a combination of fixed and floating rates linked to USD LIBOR. A small portion of our aircraft debt has monthly or semiannual payments; nevertheless it is also denominated in US dollars and linked to U.S. dollar Libor. Through the use of interest rate swaps and fixed coupon Bond issuances in the case of Boeing aircraft, we have effectively converted a significant portion of our floating rate debt under these loans into fixed rate debt.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**A. Directors and Senior Management**

The LATAM Airlines Group board of directors consists of nine directors who are elected every two years for two-year terms at annual regular shareholders’ meetings or, if necessary, at an extraordinary shareholders’ meeting, and may be re-elected. The board of directors may appoint replacements to fill any vacancies that occur during periods between elections. Scheduled meetings of the board of directors are held once a month and extraordinary board of directors’ meetings are called when summoned by the chairman of the board of directors and two other directors, or when requested by a majority of the directors.

The current board of directors was elected at the ordinary shareholders’ meeting held on April 29, 2014. Its term expires in April 2016. On September 2<sup>nd</sup>, 2014 Mrs. Maria Claudia Amaro (1) resigned as a member of the board of directors, which elected Mr. Henri Philippe Reichstul in her place. Mr. Reichstul’s appointment will be in effect until the next ordinary meeting of shareholders, in which the board of directors will have to be renewed and reelected in full. The entire board will be reelected in April 2015.

The following are LATAM Airlines Group’s directors:

| <u>Directors</u>                     | <u>Position</u>     |
|--------------------------------------|---------------------|
| Mauricio Rolim Amaro <sup>(1)</sup>  | Director / Chairman |
| Henri Philippe Reichstul             | Director            |
| Juan José Cueto Plaza <sup>(2)</sup> | Director            |
| Ramón Eblen Kadis <sup>(3)</sup>     | Director            |
| Georges de Bourguignon Arndt         | Director            |
| Ricardo Caballero                    | Director            |



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| <u>Directors</u>                     | <u>Position</u>                              |
|--------------------------------------|--|
| Carlos Heller Solari <sup>(4)</sup>  | Director                                     |
| Gerardo Jofré Miranda                | Director                                     |
| Francisco Luzón López                | Director                                     |
| <u>Senior Management</u>             | <u>Position</u>                              |
| Enrique Cueto Plaza <sup>(2)</sup>   | CEO LATAM                                    |
| Ignacio Cueto Plaza <sup>(2)</sup>   | CEO LAN                                      |
| Andrés Osorio Hermansen              | CFO LATAM                                    |
| Marco Antonio Bologna <sup>(6)</sup> | CEO TAM                                      |
| Armando Valdivieso Montes            | President LAN                                |
| Claudia Sender                       | President TAM                                |
| Cristián Ureta Larraín               | Cargo President                              |
| Roberto Alvo Milosawlewitsch         | Senior VP Planning and Network.              |
| Damian Scokin (5)                    | Senior VP International Passenger Operations |
| Emilio del Real Sota                 | Senior VP Human Resources                    |
| Jerome Cadier                        | Chief Marketing Officer                      |
| Juan Carlos Menció                   | Senior VP Legal                              |

- (1) Mr. Mauricio Rolim Amaro and Mrs. Maria Claudia Amaro are brother and sister. Both are members of the Amaro Group, which is defined in “Item 7” as a “Major Shareholder” and are the TAM controlling shareholders.
- (2) Messrs. Ignacio, Juan José and Enrique Cueto Plaza are brothers. All three are members of the Cueto Group, which is defined in “Item 7” as a “Major Shareholder,” and are the LATAM controlling shareholders.
- (3) Mr. Ramón Eblen Kadis is a member of the Eblen Group, which is defined in “Item 7” as a “Major Shareholder.”
- (4) Mr. Carlos Heller Solari is a member of the Bethia Group, which is defined in “Item 7” as a “Major Shareholder.”
- (5) Mr. Damian Scokin held the position of LATAM’s International Unit Business Executive Vice President until September 30, 2014, date in which Mr. Scokin left the company.
- (6) Mr. Bologna will cease to be CEO of TAM on April 1<sup>ST</sup>, 2015.

### Biographical Information

Set forth below are brief biographical descriptions of LATAM Airlines Group’s directors and senior management. All of LATAM’s directors were elected or reelected, as the case may be, in September 2012 for a two-year term, which expires in September 2014.

#### Directors

*Mr. Mauricio Rolim Amaro*, has served as member of LATAM Airlines Group’s board of directors since June 2012. He was reelected to the board of directors of LATAM in April 2014 and has served as Chairman since September 2012. Mr. Amaro’s current term as chairman ends in April 2015. Mr. Amaro has previously held various positions in the TAM Group and served as a professional pilot at TAM Linhas Aéreas S.A. and TAM Aviação Executiva S.A. Mr. Amaro has been a member of the Board of TAM S.A. since 2004, and vice-chairman of the Board since April 2007. He is also an executive officer at TAM Empreendimentos e Participações S.A. and chairman of the boards of Multiplus S.A. (subsidiary of TAM S.A.) and of TAM Aviação Executiva e Taxi Aéreo S.A. As of January 31, 2015, according to shareholder registration data in Chile, Mr. Amaro shared in the beneficial ownership of 65,554,075 common shares of LATAM Airlines Group (12.02% of LATAM Airlines Group’s outstanding shares), held by TEP Chile S.A. For more information see “Item 7. Controlling Shareholders and Related Party Transactions.”

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

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





and Ignacio Cueto Plaza, LATAM Airlines Group Executive Vice-President and LAN CEO, respectively. Mr. Cueto is a member of the Cueto Group (LATAM Airlines Group's Controlling Shareholder). As of January 31, 2015, Mr. Cueto shared in the beneficial ownership of 139,089,520 common shares of LATAM Airlines Group (25.49% of LATAM Airlines Group's outstanding shares) held by the Cueto Group. Mr. Cueto is also a member of the board of directors of Holdco II. For more information see "Item 7. Controlling Shareholders and Related Party Transactions."

*Mr. Ramón Eblen Kadis*, 70 years old, has served on LAN's board of directors since June 1994 and was reelected to the board of directors of LATAM in April 2014. Mr. Eblen's term as a director ends in April 2015. Mr. Eblen has served as President of Comercial Los Lagos Ltda., Inversiones Santa Blanca S.A., Inversiones Andes SpA, Granja Marina Tornagaleones S.A. and TJC Chile S.A. Mr. Eblen is a member of the Eblen Group (a major shareholder of LATAM Airlines Group). As of January 31, 2015, The Eblen Group had the beneficial ownership of 27,945,199 common shares of LATAM Airlines Group (5.12% of LATAM Airlines Group's outstanding shares) plus a 40% ownership of Costaverde Aeronautica SpA, which owns 20,000,000 common shares of LATAM Airlines Group. For more information see "Item 7. Controlling Shareholders and Related Party Transactions."

*Mr. Georges de Bourguignon*, has served on LATAM Airlines Group's board of directors since September 2012. Mr. de Bourguignon's term as a director ends in April 2015. Mr. de Bourguignon has been a partner and executive director of Asset Chile S.A., a Chilean investment bank, since 1994. He is currently member of the board of directors of Asset Chile S.A. and several of its affiliates, is also an independent board member of Sal Lobos S.A., Chilean subsidiary of the German group K+S, and Salmones Austral Spa, a Chilean salmon farming company. In the past he has served in several other boards of public and private companies, as well as of boards of non profit organizations. Before co-founding Asset Chile, he was manager of the Financial Institutions Group at Citibank S.A. in Chile, and was a professor of economics at the Catholic University of Chile. He is an economist from Catholic University of Chile and a graduate of Harvard Business School. As of January 31st, 2015, Mr. de Bourguignon indirectly held 3,153 common shares of LATAM Airlines Group (0.0006%) of LATAM Airlines Group outstanding shares).

*Mr. Ricardo J. Caballero*, joined LATAM's board of directors in April 2014. Mr. Caballero is the Ford International Professor of Economics and Director of the World Economic Laboratory at the Massachusetts Institute of Technology, an NBER Research Associate, and an advisor of QFR Capital Management LP. Mr. Caballero was the Chairman of MIT's Economics Department (2008-2011) and has been a visiting scholar and consultant at many major central banks and international financial institutions. His teaching and research fields are macroeconomics, international economics, and finance. His current research looks at global capital markets, speculative episodes and financial bubbles, systemic crises prevention mechanisms, and dynamic restructuring. His policy work focuses on aggregate risk management and insurance arrangements for emerging markets and developed economies. He has also written about aggregate consumption and investment, exchange rates, externalities, growth, price rigidity, dynamic aggregation, networks and complexity. Mr. Caballero has served on the editorial board of several academic journals and has a very extensive list of publications in all major academic journals. Among his major awards, he was the winner of the 2002 Frisch Medal of the Econometric Society for "Explaining Investment Dynamics in U.S. Manufacturing: A Generalized (S,s) Approach", *Econometrica*, 67(4), July 1999 (joint work with Eduardo Engel); and both the Smith Breeden Prize by the American Finance Association and the Emerald Management Review Citation of Excellence Award for "Collective Risk Management in a Flight to Quality Episode", *Journal of Finance*, 63(5), October 2008 (joint work with Arvind Krishnamurthy). In April 1998 Caballero was elected a Fellow of the Econometric Society and subsequently of the American Academy of Arts and Sciences in April 2010.

*Carlos Heller Solari*, joined the board of LAN in May 2010 and was re-elected to the Board of Directors of LATAM in April 2014. The mandate of Mr. Heller as a director ends in April 2015. The Mr. Heller has vast experience in retail (retail) through SACI Falabella in transport and logistics, agriculture, wine, Horse Riding and communications category. Mr. Heller is president of Bethia SA ("Bethia") (parent company of Axxion SA and Betlan Two SA), Chairman of Axxion SA, Betlan Two SA, Equestrian Club of Santiago, Sotraser SA and Agricultural Ancali Ltda. also serves on the boards of SACI Falabella Falabella Retail SA, Sodimac SA, Titanium SA, Betfam SA Viña Indómita SA, Viña Santa Alicia SA, Viña Two Andes SA Blue Express SA and Aero Andina SA In addition he is the principal shareholder and president of "Azul Azul" through Inversiones Limitada Alpes (first division team manager football at the University of Chile). At January 31, 2015, Mr. Heller indirectly held 33,367,357 ordinary shares of LATAM Airlines Group through Axxion SA and Inversiones HS Spa (6.12% of the shares of LATAM Airlines Group) and 1,017,449,607 shares Naviera SA Group Companies Axxion through S.A.

*Mr. Gerardo Jofré Miranda*, joined LATAM's Board of directors on May 2010 and was reelected to the board of directors of LATAM in April 2014. Mr. Jofré's term as a director ends in April 2015. Mr. Jofré is member of the board of directors of Codelco. Mr. Jofré is member of the Real Estate Investment Council of Santander Real Estate Funds. From 2005 to 2010 he served as member of the boards of directors of Endesa Chile S.A., Viña San Pedro Tarapacá S.A., D&S S.A., Inmobiliaria Titanium S.A. Construmart S.A., Inmobiliaria Playa Amarilla S.A. and Inmobiliaria Parque del Sendero S.A. and was President of Saber Más Foundation. Mr. Jofré was Director of Insurance for America for Santander Group of Spain between the years 2004 and 2005. From 1989 to 2004 he served on Santander Group in Chile, as Vice Chairman of the Group and as CEO, member of the boards of directors and Chairman of many of the Group's companies. As of January 31st, 2015, Mr. Jofre held 49,923 common shares of LATAM Airlines Group (0.0092% of LATAM Airlines Group's outstanding shares).



*Mr. Francisco Luzón López*, has served on LATAM Airlines Group's board of directors since September 2012 and was reelected to the board of directors of LATAM in April 2014. Mr. Luzón's term as a director ends in April 2015. He has served as a consultant of the Inter-American Development Bank (IDB) and he has been Teacher "Visiting Leader" of the School of Business China-Europe (CEIBS) in Shanghai (2012-2013). He is currently a member of the board of La Haya Real Estate (September 2014) and an Independent Director at Willis Group (June 2013). Between 1999 and 2012, Mr. Luzon served as Executive Vice President for Latin America of Banco Santander. In this period, he was also Worldwide Vice President of Universia SA. Between 1991 and 1996 he was Chairman and CEO of Argentaria Bank Group. Previously, in 1987, he was appointed Director and General Manager of Banco de Vizcaya and in 1988 Counselor and General Director of Banking Group at BBV. During his career Mr. Luzon has held positions on the boards of several companies, most recently participating in the council of the global textile company Inditex-Zara from 1997 until 2012. As of January 31, 2015, Mr. Luzon held 12,200 common shares of LATAM Airlines Group (0.0022% of LATAM Airlines Group's outstanding shares).

#### *Senior Management*<sup>1</sup>

*Mr. Enrique Cueto Plaza*, is LATAM Airlines Group's Chief Executive Officer ("CEO"). From 1994 to 2012, Mr. Cueto was the CEO of LAN. From 1983 to 1993, Mr. Cueto was Chief Executive Officer of Fast Air, a Chilean Cargo airline. Mr. Cueto also served on the LAN board of directors from 1993 to 1994. Mr. Cueto has in-depth knowledge of passenger and cargo airline management, both in commercial and operational aspects, gained during his 24 years in the airline industry. Mr. Cueto is an active member of the oneworld® Alliance Governing Board, the IATA (International Air Transport Association) Board of Governors. He is also member of the Board of the Federation of Chilean Industry (SOFOFA) and of the Board of the Endeavor foundation, an organization dedicated to the promotion of entrepreneurship in Chile. Mr. Cueto is the brother of Mers. Juan José and Ignacio Cueto Plaza, member of the board and LAN CEO, respectively. Mr. Cueto is also a member of the Cueto Group (LATAM Airlines Group's Controlling Shareholder). As of January 31, 2015, Mr. Cueto jointly shared in the beneficial ownership of 139,089,520 common shares of LATAM Airlines Group (25.49% of LATAM Airlines Group's outstanding shares) held by the Cueto Group. For more information see "Item 7. Controlling Shareholders and Related Party Transactions."

*Mr. Ignacio Cueto Plaza*, is LAN's CEO. Mr. Cueto served as President of LAN Cargo from 1995 to 1998, as Chief Executive Officer-Passenger Business from 1999 to 2005, and as President and Chief Operating Officer of LAN since 2005 until the combination with TAM in 2012. Mr. Cueto has previously served on the board of directors of LAN (from 1995 to 1997) and Ladeco (from 1994 to 1997). In addition, Mr. Cueto served as Chief Executive Officer of Fast Air from 1993 to 1995. Between 1985 and 1993, Mr. Cueto held several positions at Fast Air, including Service Manager for the Miami sales office, Director of Sales for Chile and Vice President of Sales and Marketing. Mr. Cueto is the brother of Messrs. Juan José and Enrique Cueto Plaza, Director and LATAM's CEO, respectively. Mr. Cueto is also a member of the Cueto Group (which is a controlling shareholder of LATAM). As of January 31, 2015, Mr. Cueto shared in the beneficial ownership of 139,089,520 common shares of LATAM (25.49% of LATAM's outstanding shares) held by the Cueto Group. For more information see "Item 7. Controlling Shareholders and Related Party Transactions."

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

*Mr. Armando Valdivieso Montes*, is President of LAN. Between 1997 and 2005 he served as Chief Executive Officer-Cargo Business of LAN and from 2006 until 2012 he served as the General Manager-Passenger. After the combination with TAM in 2012, Mr. Valdivieso served as LATAM's Spanish Speaking Countries Executive Vice-President, before being named to his current position. From 1994 to 1997, Mr. Valdivieso was President of Fast Air. From 1991 to 1994, Mr. Valdivieso served as Vice President, North America of Fast Air Miami. As of January 31, 2015, according to shareholder registration data in Chile, Mr. Valdivieso owned 67,359 common shares of LATAM Airlines Group (0.012% of LATAM Airlines Group's outstanding shares).

*Mrs. Claudia Sender Ramirez*, has served as TAM Airlines' President since May 2013. Mrs. Sender joined the company in December 2011, as Commercial and Marketing Vice-President. After June 2012, with the conclusion of TAM-LAN combination and the creation of LATAM Airlines Group, she became the head of Brazil Domestic Business Unit, and her functions were expanded in order to include TAM's entire Customer Service structure. Mrs. Sender dedicated most of her career in consumer goods industry, focused in Marketing and Strategic Planning. Prior to joining TAM, she was Marketing Vice-President at Whirlpool Latin America for

<sup>1</sup> Mr. Damian Scokin held the position of LATAM's International Unit Business Executive Vice President until September 30, 2014, date in which Mr. Scokin left the company



seven years. She also worked as a consultant at Bain&Company, developing projects for large companies in various industries, including TAM Airlines and other players of the global aviation sector. She has a bachelor degree in Chemical Engineering from the Polytechnic School at the University of São Paulo (USP) and a MBA from Harvard Business School.

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

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

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

*Mr. Andrés Osorio*, is LATAM’s Chief Financial Officer (“CFO”), and has held this position since August, 2013. He holds a Business degree from the Catholic University of Chile and has over 20 years of experience leading financial areas in companies such as Cencosud, where he was CFO for 7 years, and Metrogas, among others. He has also been CEO of Empresas Indumotora, a Chilean automobile conglomerate, and was a partner at PricewaterhouseCoopers in Chile. As of January 31, 2015, Mr. Osorio owned 20,000 common shares of LATAM (0.0036% of LATAM Airlines Group’s outstanding shares).

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

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

**B. Compensation**

In 2014, the Company paid its principal executives (considering the levels of Vice- Presidents, General Managers, Senior Director and Directors as defined above) a total of US\$ 44,133,566. No incentives for performance during 2014 were paid. As a result, the Company paid its principal executives total gross remunerations of US\$ 44,133,566.

Under Chilean law, LATAM Airlines Group must disclose in its annual report details of all compensation paid to its directors during the relevant fiscal year, including any amounts that they received from LATAM Airlines Group for functions or employment other than serving as a member of the board of directors, including amounts received as per diem stipends, bonuses and, generally, all other payments. Additionally, pursuant to regulations of the Superintendencia de Valores y Seguros de Chile (“SVS”), the Chilean securities regulator, the annual report must also include the total compensation and severance payments received by managers and principal executives, and the terms of and the manner in which board members and executive officers participate in any stock option plans.

LATAM Airlines Group’s directors are paid 50 UF per meeting (100 UF for the chairman of the board) and 40 UF for assistance to the subcommittee of Directors meetings. LATAM Airlines Group also provides certain benefits to its directors and executive officers, such as free and discounted airline tickets and health insurance. We do not have contracts with any of our directors to provide benefits upon termination of employment.



As set forth in further detail in the following table, in 2014 the members of our board of directors currently in office received fees and salaries in the aggregate amount of US\$372,913.

| <b>Board Members</b>                 | <b>Fees (US\$)<sup>(2) (3)</sup></b> |
|--------------------------------------|--------------------------------------|
| Mauricio Rolim Amaro                 | 53,717                               |
| Maria Claudia Amaro                  | 11,510                               |
| Henri Philippe Reichstul             | 7,799                                |
| Ricardo J. Caballero                 | 27,450                               |
| Juan José Cueto Plaza                | 36,508                               |
| Ramon Eblen Kadis                    | 63,406                               |
| Georges de Bourguignon               | 62,887                               |
| José María Eyzaguirre Baeza          | 5,946                                |
| Carlos Heller Solari                 | 18,067                               |
| Juan Gerardo Jofre Miranda           | 66,039                               |
| Francisco Luzón López <sup>(3)</sup> | 19,585                               |
| <b>Total</b>                         | <b>372,913</b>                       |

<sup>(2)</sup> Fees were converted from Chilean Pesos into US Dollars at a rate of CLP\$600 per US Dollar.

<sup>(3)</sup> Includes fees paid to members of the board of directors’ committee, as described below.

All of the above-mentioned directors were elected to the LATAM board of directors in April 2014.

As required by Chilean law, LATAM Airlines Group makes obligatory contributions to the privatized pension fund system on behalf of its senior managers and executives, but it does not maintain any separate program to provide pension, retirement or similar benefits to these or any other employees.

**C. Board Practices**

Our board of directors is currently comprised of nine members. The terms of each of our current directors will expire in April 2015. See “—Directors and Senior Management” above.

**Committees**

*Board of Directors’ Committee and Audit Committee*

Pursuant to Chilean Corporation Law, LATAM Airlines Group must have a board of directors’ committee composed of no less than three board members. LATAM Airlines Group has established a three-person committee of its board of directors, which, among other duties, is responsible for:

- examining the reports of LATAM Airlines Group’s external auditors, the balance sheets and other financial statements submitted by LATAM Airlines Group’s administrators to the shareholders, and issuing an opinion with respect thereto prior to their presentation to the shareholders for their approval;
- proposing external auditors and rating agencies to the board of directors;
- evaluating and proposing external auditors and rating agencies;
- reviewing internal control reports pertaining to related party transactions;
- examining and reporting on all related-party transactions; and
- reviewing the pay scale of LATAM Airlines Group’s senior management.

Under Chilean Corporation Law we are required, to the extent possible, to appoint a majority of independent directors to the Board of Directors Committee. A director is considered independent when he or she can be elected regardless of the voting of the controlling shareholders. See “Item 16. G. Corporate Governance.”

Pursuant to U.S. regulations, we are required to have an audit committee of at least three board members, which complies with the independence requirements set forth in Rule 10A-3 under the Exchange Act. Given the similarity in the functions that must be performed by our Board of Directors’ Committee and the audit committee, our Board of Directors’ Committee serves as our Audit Committee for purposes of Rule 10A-3 under the Exchange Act.



As of March 31, 2015, all of the members of our Board of Directors' Committee, which also serves as our Audit Committee, were independent under Rule 10A-3 of the Exchange Act. As of March 31, 2015, the committee members were Mr. Gerardo Jofré Miranda, Mr. Ramón Eblen Kadis and Mr. Georges de Bourguignon Arndt. We pay each member of the committee 67 UFs per monthly assistance to meetings.

*Other LATAM Board Committees*

LATAM's board of directors also has established four other committees to review, discuss and make recommendations to our board of directors. These include a Strategy Committee, a Leadership Committee, a Finance Committee and a Brand, Product and Frequent Flyer Program Committee. The Strategy Committee focuses on the corporate strategy, current strategic issues and the three-year plans and budgets for the main business units and functional areas and high-level competitive strategy reviews. The Leadership Committee focuses on, among other things, group culture, high-level organizational structure, appointment of the LATAM CEO and his or her other reports, corporate compensation philosophy, compensation structures and levels for the LATAM CEO and other key executives, succession or contingency planning for the LATAM CEO and performance assessment of the LATAM CEO. The Finance Committee is responsible for financial policies and strategy, capital structure, monitoring policy compliance, tax optimization strategy and the quality and reliability of financial information. Finally, the Brand and Frequent Flyer Program Committee is responsible for brand strategies and brand building initiatives for the corporate and main business unit brands, the main characteristics of products and services for each of the main business units, frequent flyer program strategy and key program features and regular audit of brand performance.

On June, 2014 LATAM's board of directors established a Risk Committee to oversee the creation, implementation and management of a risk matrix for the Company

*Corporate Governance Practices*

On March 31, 2014 LATAM Airlines Group filed the Company's Corporate Practices Report prepared according to General Rule N° 341 of the Securities and Insurance Commission issued November 29, 2012. The reporting obligation stipulated in this rule is for practices in place as of December 31st of each year and the report must be presented no later than March 31st of the following year.

The report provided each year to the Commission must cover the following subjects:

- How the Board works
- The relationship between the company, shareholders and the public in general
- How senior officers are replaced and compensated
- The definition, implementation and supervision of internal control and risk management policies and procedures inside the company.

**D. Employees**

The following table sets forth the number of employees in various positions at the Company.

| <u>Employees ending the period</u> | <u>As of December 31,</u> |               |               |
|------------------------------------|---------------------------|---------------|---------------|
|                                    | <u>2014<sup>(1)</sup></u> | <u>2013</u>   | <u>2012</u>   |
| Administrative                     | 10,077                    | 9,908         | 8,980         |
| Sales                              | 5,246                     | 5,680         | 4,858         |
| Maintenance                        | 6,986                     | 6,925         | 6,932         |
| Operations                         | 17,517                    | 17,054        | 18,138        |
| Cabin crew                         | 9,237                     | 9,339         | 10,164        |
| Cockpit crew                       | 4,009                     | 4,091         | 4,527         |
| <b>Total</b>                       | <b>53,072</b>             | <b>52,997</b> | <b>53,473</b> |

(1) At December 31, 2014, approximately 24% of our employees worked in Chile, 75% in other Latin American countries and 1% in the rest of the world.

We have a performance-related pay structure for our administrative, management and flight personnel (such as cabin crew members, airport and sales agents, call-center employees, and some back office employees) including performance-based bonuses and pay scales that reward foreign language proficiency among counter, technical and administrative personnel. During 2013, 93% of our employees were eligible to receive performance related bonus payments that are linked to personal, team and corporate performance. TAM executives participate in the same program described below. For other employees there is a profit sharing program, which is a variable pay program based on the Company's financial performance.



We provide our employees with medical insurance complementary to the coverage of the private health system, and also grant other benefits, such as free and discounted airline tickets, to our permanent employees.

A stock option compensation plan is offered to key senior executives. For a detailed description of the stock option compensation plan, please see Note 38 to our audited consolidated financial statements for the fiscal year ended December 31, 2013.

As required by Chilean law, we make obligatory contributions to the privatized pension fund system on behalf of our employees, but we do not maintain any separate program to provide pension, retirement or similar benefits to these or any other employees. However, the pilots' collective bargaining agreement includes a clause that permits resignation with severance payment, in case a pilot reaches a certain age and is still providing services to the company. In Brazil, TAM offers a private pension plan to its executives and pilots.

### Long Term Incentive Compensation Program

On December 21, 2011, the extraordinary shareholders meeting approved a capital increase of 142,355,882 shares to a total of 488,355,791 shares. The same meeting designated 4,800,000 shares for purposes of a proposed employee stock option compensation plan. Those 4,800,000 shares represented a 0.98% of the total share capital after such capital increase. The shareholders' meeting authorized our board of directors to elaborate the compensation plan. The 2011 Compensation Plan is aimed at promoting our interests by encouraging senior management employees to contribute substantially to our success, by motivating them with stock options.

The general features of this stock option plan are:

- (a) The selection of the employees of the Company and its subsidiaries that were included by the Board of Directors in the compensation plan was made after a recommendation by our Executive Committee. A stock option agreement was signed with each selected employee for the number of options in connection to the acquisition of our shares to be allocated to such employee.
- (b) Until the shares in the option are subscribed, the optionee has no economic or political rights and is not considered in the quorums of shareholders meetings.
- (c) The options allocated to each employee are vested in parts, on the following two dates: (1) 30% on December 21, 2014; (2) 30% on December 21, 2015; and (3) 40% on June 21, 2016, subject to remaining employed by the Company.
- (d) The period during which the employee must exercise the options will expire December 21, 2016. If the employee has not exercised or waived the options in that period, the employee will be understood, for all purposes, to have waived the options and, accordingly, all rights, powers, promises or offers in relation to the subscription of cash shares in the Company will be deemed extinguished and it will be understood that the employee has irrevocably waived all rights or powers in relation thereto, releasing us from any obligation.
- (e) The price payable for these shares if the respective options are exercised is US\$17.22 adjusted by the variation in the *Consumer Price Index* ("CPI") published monthly by the U.S. Department of Labor, from the date it was set by our Board of Directors to the date of subscription and payment of the shares. Such price shall be paid in Chilean pesos, converted at the observed dollar exchange rate published in the Official Gazette on the same date as subscription and payment of the shares.

The selection of employees for participation in the stock option plan was based on, among other criteria that the Board determined at the time of employment with the Company, the position they hold, their importance in earning profits, the responsibility of their position, the amount of equity managed, the ability to work as a team, performance, potential for development and importance within the Company given their education and experience.

As of March, 2015, Stock Option Contracts were issued by the Company to 46 employees of the Company and its subsidiaries for a total of 4,202,000 stock options. This stock option plan excludes members of the Cueto group, the LATAM Controlling Shareholder, that serve as senior management of the Company.

The Company's shareholders approved the issuance of 1,500,000 shares at the Special Shareholders Meeting held June 11, 2013, among other matters. Those shares will be allocated to compensation plans for the employees of the Company and its subsidiaries (the "2013 Compensation Plan").



The general features of the 2013 Compensation Plan are:

1. The options allocated to each employee shall be exercisable entirely on November 15, 2017, provided the employee continues to work for the Company.
2. Employees may exercise such options, after they become exercisable on the aforesaid date, either all at once or in parts. They must subscribe and pay for those shares at once, at the time of subscription, in cash, by check, by bank check, by money transfer or by any other instrument or medium representing cash payable on demand. Partial option exercises cannot be for less than 10% of all options granted to the Employee.
3. The period in which employees must exercise options after they become exercisable expires June 11, 2018. If employees have not exercised or waived options in that period, they shall be deemed to have waived the options for all purposes and, accordingly, all rights, powers, promises or offers in relation to the subscription of cash shares in the company shall be deemed extinguished, the employee shall be deemed to have irrevocably waived all rights or powers in relation thereto, and the company shall be released from any obligation.
4. The price payable per share allocated to the 2013 Compensation Plan is US\$16.40, if the respective options are exercised, adjusted by the change in the Consumer Price Index ("CPI") published monthly by the U.S. Department of Labor, starting the first day of the preemptive option period to the date of subscription and payment of the shares. The subscription price will be paid in Chilean pesos, converted using the Observed Dollar exchange rate published in the Official Gazette on the same date as subscription and payment of shares.

No options have been granted under the 2013 Compensation Plan.

**Training**

There has been no significant change in the number of company employees between 2012 and 2014. There was also no significant variation between the positions held by such employees.

As of December 31, 2014, the Company had 776 temporary employees. Approximately 48% of these temporary employees worked in Chile, 50% in other Latin American countries and 2% in the rest of the world.

As of December 31, 2014, 97% of all company employees with permanent contracts are covered by collective agreements.

**Labor Relations**

We believe we generally maintain good relations with our employees and the unions, and expect to continue to enjoy good relations with our employees and the unions in the future. We also believe that we have built a solid base among our employees that will support and facilitate our growth plans. We can provide no assurance, however, that our employee compensation arrangements may not be subject to change or modification after the expiration of the contracts currently in effect, or that we will not be subject to labor-related disruptions due to strikes, stoppages or walk-outs.

*Chile*

We usually negotiate longer-term labor contracts with the labor unions in anticipation of their scheduled expirations. Under Chilean law longer-term labor contracts are limited to a period of four years. In general, the expiration of our labor agreements with the several unions that represent our pilots and other personnel are staggered in a way that we avoid being in the position of having to renegotiate contract terms with substantially all of our pilots or other personnel at the same time.

In 2014, we renegotiated our collective bargaining agreement with LAN Express' flight attendants union, which will be effective until 2018.

*Ecuador*

- **LAN:** In Ecuador, three employee associations were formed in 2012: of pilots, other general but composed mostly by maintenance employees and other general but composed mostly by employees of airports/administration.

Additionally, in 2011 a union previously exclusive to cabin crew became general. These groups maintain relations with the Company, but do not have the right to enter into or negotiate collective bargaining agreements under Ecuadorian law, because less than 50% of our employees eligible for membership are members of each union

In November 2014 the Company's negotiation of a voluntary agreement with the association of pilots was suspended because the directive did not agree with the offer from the Company.



- **ANDES:** In 2013 two unions of ground handling employees were formed in Andes. These groups maintain relations with the Company, but do not have the right to enter into or negotiate collective bargaining agreements under Ecuadorian law, because less than 50% of our employees eligible for membership are members of each union.

#### *Argentina*

In Argentina, the majority of LAN employees are members of sectorial unions. In December 2014, we entered into five salary agreements with unions representing LAN Argentina employees. Negotiations with the Mechanics' Union are still ongoing. These negotiations take place annually due to need to make adjustments for inflation

#### *Peru*

LAN Peru is negotiating with the union of flight dispatchers, and is expected to conclude negotiations with a collective agreement during the first quarter of 2015. In Peru we have five other unions whose collective agreements are in force until 2016 (pilots), 2017 (cabin crew, aircraft technicians) and 2018 (airport workers).

#### *Brazil*

Under Brazilian law, the validity of collective bargaining agreements is limited to two years. TAM's collective bargaining agreements are valid for one year (for the economic clauses) and for two years (for social clauses). TAM has historically negotiated collective bargaining agreements with nine unions in Brazil— one crew flight union, which represents the functions of flying workers (pilots, copilots and flight attendants), and nine ground staff unions, which are TAM employees who exercise their duties on the ground to support TAM's operations. In December 2013, TAM renegotiated collective bargaining agreements with nine unions, which included a wage increase of 7% for ground workers (ground handling) earning minimum wage, and an increase of 5.6% for other salaried ground workers and flying workers, and the inflation rate for the period was 5.6%. For the ground staff workers with salaries up to ten thousand dollars, the increase was 5.6% and for employees earning over R\$ 10,000 the adjustment was R\$ 560.0. During the negotiations there was no stoppage of employees or even strike action.

### **E. Share Ownership**

As of January 31, 2015, the members of our Board of Directors and our executive officers as a group own 48.77% of our shares. See "Item 7. Controlling Shareholders and Related Party Transactions."

For a description of stock options granted to our executive officers, see "—Employees—Long Term Incentive Compensation Program."

## **ITEM 7. CONTROLLING SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

The Cueto Group is LATAM's controlling shareholder and it is comprised by Mr. Juan José Cueto Plaza (one of our directors), Mr. Ignacio Cueto Plaza (the CEO LAN), Mr. Enrique Cueto Plaza (the CEO LATAM) and certain other family members. As of January 31, 2015, the Cueto Group owned 25.49% of LATAM Airlines Group's common shares. The Cueto Group is entitled to elect three of the nine members of our board of directors and is in a position to direct the management of the Company. The Cueto Group, which we also refer to as the "LATAM controlling shareholders," have entered into a shareholder's agreement with LATAM, TEP Chile and the TAM controlling shareholders. See "—Shareholders' Agreements."

Following our combination with TAM, the Amaro Group is also a major shareholder of LATAM Airlines Group. The Amaro Group, which we also refer to as the "TAM controlling shareholders," are controlling shareholders of TAM, through their 100% ownership of TEP Chile and majority ownership of Holdco I voting shares, which owns 100% of the common shares of TAM. The Amaro Group's members include our chairman Mauricio Rolim Amaro and our former director Maria Claudia Amaro. As of January 31, 2015, the Amaro Group owned 12.02% of LATAM Airlines Group's common shares. The Amaro Group has entered into a shareholder's agreement with LATAM and the LATAM controlling shareholders. The terms of this shareholders' agreement require the LATAM controlling shareholders to vote to elect individuals nominated by TEP Chile as members of our board of directors. See "—Shareholders' Agreements."

In addition to these shareholders, there are two other major shareholder groups. As of January 31, 2015, the Bethia Group, which includes our director Carlos Heller Solari, owned 6.14% of our common shares and the Eblen Group, which includes our director Ramón Eblen Cádiz, owned 5.12% of our common shares.





The table below sets forth the beneficial owners, as of January 31, 2015, of our common shares, including our controlling shareholders, other major shareholders and minority shareholders.

| Shareholder  | Beneficial ownership<br>(as of January 31, 2015)          |   |
|--|---|---|
|  | Number of shares<br>of common stock<br>beneficially owned | Percentage of<br>common stock<br>beneficially owned |
| <b>Cueto Group</b>                                 | <b>139,089,520</b>  | <b>25.49%</b>                                       |
| Costa Verde Aeronautica S.A.                       | 85,772,914  | 15.72%  |
| Inversiones Nueva Costa Verde<br>Aeronautica Ltda. | 22,914,277  | 4.20%   |
| Costa Verde Aeronautica SpA                        | 20,000,000  | 3.67%   |
| Others   | 10,402,326  | 1.91%   |
| <b>Amaro Group</b>                                 | <b>65,554,075</b>   | <b>12.02%</b>                                       |
| TEP Chile S.A.                                     | 65,554,075  | 12.01%  |
| <b>Bethia Group.</b>                               | <b>33,367,363</b>   | <b>6.12%</b>  |
| Axxion S.A.  | 18,473,333  | 3.39%   |
| Inversiones HS SpA.                                | 14,894,024  | 2.73%   |
| <b>Eblen Group.</b>                                | <b>27,945,199</b>   | <b>5.12%</b>  |
| Inversiones Andes S.A.                             | 17,146,529  | 3.14%   |
| Inversiones PIA SpA.                               | 5,403,804   | 0.99%   |
| <b>All other minority shareholders</b>             | <b>279,601,943</b>  | <b>51.25%</b>                                       |
| <b>Total</b>                                       | <b>545,558,101</b>  | <b>100.00%</b>                                      |

As of January 31, 2015, 7.66% of our capital stock was held in the form of ADSs, and 0.52% in the form of BDSs. Chilean pension funds held 17.63% of our capital stock and other minority investors held 25.44% in the form of common shares. It is not practicable for us to determine the number of ADSs or common shares beneficially owned in the United States. As of January 31, 2015, we had 1,638 record holders of our common shares. It is not practicable for us to determine the portion of shares held in Chile or the number of record holders in Chile. All of our shareholders have identical voting rights.

### Shareholders' Agreements

As described above under "Item 4. Information on the Company—History and Development of the Company—Combination of LAN and TAM," following the combination of LAN and TAM in June 2012, TAM S.A. continues to exist as a subsidiary of Holdco I and a subsidiary of LATAM, and LAN Airlines S.A. has been redesignated as "LATAM Airlines Group S.A."

Prior to the consummation of the business combination, LATAM Airlines Group and the LATAM controlling shareholders entered into several shareholders' agreements with TAM, the TAM controlling shareholders (acting through TEP Chile) and Holdco I that establish agreements and restrictions relating to corporate governance in an attempt to balance LATAM Airlines Group's interests, as the owner of substantially all of the economic rights in TAM, and the TAM controlling shareholders, as the continuing controlling shareholders of TAM under Brazilian law, by prohibiting the taking of certain specified material corporate actions and decisions without prior supermajority approval of the shareholders and/or the board of directors of Holdco I or TAM. These shareholders' agreements also set forth the parties' agreement regarding the governance and management of the LATAM Airlines Group following the consummation of the business combination of LAN and TAM.

### Governance and Management of LATAM Group

We refer to the shareholders' agreement among the LATAM controlling shareholders and TEP Chile, which sets forth the parties' agreement concerning the governance, management and operation of the LATAM Group, and voting and transfer of their respective LATAM Airlines Group common shares and TEP Chile's voting shares of Holdco I, as the "control group shareholders' agreement." We refer to the shareholders' agreement between us and TEP Chile, which sets forth our agreement concerning the governance, management and operation of the LATAM Group as the "LATAM Airlines Group-TEP shareholders' agreement." The control group shareholders' agreement and the LATAM Airlines Group-TEP shareholders' agreement set forth the parties' agreement on the governance and management of the LATAM Group following the effective time.



This section describes the key provisions of the control group shareholders' agreement and the LATAM Airlines Group-TEP shareholders' agreement. The description of these control group shareholders' agreement and the LATAM Airlines Group-TEP shareholders' agreement summarized below and elsewhere in this annual report on Form 20-F are qualified in their entirety by reference to the full text of the aforementioned shareholders' agreements, which have been filed as exhibits to this annual report on Form 20-F.

*Composition of the LATAM Airlines Group Board*

Mr. Maurício Rolim Amaro was reelected to the LATAM Airlines Group board of directors in April 2014. If Mr. Amaro vacates this position for any reason within that two-year period, TEP Chile has the right to select a replacement to complete his term. Thereafter, LATAM Airlines Group's board of directors will appoint any of its members as the chairman of LATAM Airlines Group's board of directors, from time to time, in accordance with LATAM Airlines Group's by-laws. Mrs. Maria Cláudia Oliveira Amaro was elected to the LATAM Airlines Group board of directors in June 2012, and resigned this position in September 2014. Also in September 2014, accordingly with Chilean law, Mr. Henri Philippe Reichstul was appointed by the board to fill her seat until the next general shareholders meeting. Mr. Reichstul will serve in this position until the next ordinary meeting of shareholders, in which the board of directors will have to be renewed and reelected in full.

*Management of the LATAM Group*

Mr. Enrique Cueto Plaza has served as CEO of LATAM ("CEO LATAM") since June 2012. The CEO LATAM is the highest ranked officer of the LATAM Airlines Group and reports directly to the LATAM board of directors. The CEO LATAM is charged with the general supervision, direction and control of the business of the LATAM Airlines Group and certain other responsibilities set forth in the LATAM Airlines Group-TEP shareholders' agreement. After any departure of the current CEO LATAM, our board of directors will select his or her successor after receiving the recommendation of the Leadership Committee.

Mr. Ignacio Cueto Plaza has served as CEO of LAN ("CEO LAN") since June 2012. The CEO LAN reports directly to the CEO LATAM and has general supervision, direction and control of the passenger and cargo operations of the LATAM Group, excluding those conducted by Holdco I, TAM and its subsidiaries, and the international passenger business of the LATAM Group. The CEO LAN, together with Mr. Marco Antonia Bologna, the current the CEO of TAM ("CEO TAM"), are responsible for recommending a candidate to the CEO LATAM to serve as the head of the international passenger business of the LATAM Group (including both long haul and regional operations), who shall report jointly to the CEO LAN and the CEO TAM. The key executives of the LATAM Group (other than the CEO LATAM and those in the TAM Group) will be appointed by, and will report, directly or indirectly, to the CEO LATAM.

The head office of the LATAM Airlines Group continues to be located in Santiago, Chile.

*Governance and Management of Holdco I and TAM*

We refer to the shareholders' agreement between us, Holdco I and TEP Chile, which sets forth our agreement concerning the governance, management and operation of Holdco I, and voting and transfer of voting shares of Holdco I, as the "Holdco I shareholders' agreement" and to the shareholders' agreement between us, Holdco I, TAM and TEP Chile, which sets forth our agreement concerning the governance, management and operation of TAM and its subsidiaries following the effective time as the "TAM shareholders' agreement." The Holdco I shareholders' agreement and the TAM shareholders' agreement set forth the parties' agreement on the governance and management of Holdco I, TAM and its subsidiaries (collectively, the "TAM Group") following the business combination of LAN and TAM.

This section describes the key provisions of the Holdco I shareholders' agreement and the TAM shareholders' agreement. The description of these Holdco I shareholders' agreement and the TAM shareholders' agreement summarized below and elsewhere in this annual report on Form 20-F are qualified in their entirety by reference to the full text of the aforementioned shareholders' agreements, which have been filed as exhibits to this annual report on Form 20-F.

*Composition of the Holdco I and TAM Boards*

The Holdco I shareholders' agreement and TAM shareholders' agreement generally provide for identical boards of directors and the same chief executive officer at Holdco I and TAM, with LATAM appointing two directors and TEP Chile appointing four directors (including the chairman of the board of directors). On April 30, 2014 Mr. Marco Antonio Bologna was named President of the Board of Directors of TAM S.A. replacing Mrs. Maria Cláudia Oliveira Amaro and on September 8th, 2014 Mrs. Maria Cláudia Oliveira Amaro resigned to her position as director of Holdco I. In her place, the board of directors appointed Mr. Henri Philippe Reichstul as a member of the board until the next general ordinary meeting of shareholders. A full renovation of the Board of Directors will take place no later than April 2015.



The control group shareholders' agreement provides that the persons elected by or on behalf of the LATAM controlling shareholders or the TAM controlling shareholders to our board of directors must also serve on the boards of directors of both Holdco I and TAM.

*Management of Holdco I and TAM*

The day-to-day business and affairs of Holdco I will be managed by the TAM Group CEO under the oversight of the board of directors of Holdco I. The day-to-day business and affairs of TAM will be managed by the TAM *Diretoria* under the oversight of the board of directors of TAM. The TAM *Diretoria* will be comprised of the TAM Group CEO, the TAM CFO, the TAM COO and the TAM CCO. Marco Bologna, currently the CEO of TAM, will be the initial CEO of Holdco I and TAM, or the "TAM Group CEO" and any successor CEO will be selected by LATAM from three candidates proposed by TEP Chile. The TAM Group CEO will have general supervision, direction and control of the business and operations of the TAM Group (other than the international passenger business of the LATAM Group) and will carry out all orders and resolutions of the board of directors of TAM. The initial chief financial officer of TAM, or the "TAM CFO," has been jointly selected by LATAM and TEP Chile and any successor CFO will be selected by TEP Chile from three candidates proposed by LATAM. The chief operating officer of TAM, or the "TAM COO," and chief commercial officer of TAM, or the "TAM CCO," will be jointly selected and recommended to the TAM board of directors by the TAM Group CEO and TAM CFO and approved by the TAM board of directors. These shareholders' agreements also regulate the composition of the boards of directors of subsidiaries of TAM.

Following the combination, TAM continues to be headquartered in São Paulo, Brazil.

*Supermajority Actions*

Certain actions by Holdco I or TAM require supermajority approval by the board of directors or the shareholders of Holdco I or TAM which effectively require the approval of both LATAM and TEP Chile before the specified actions can be taken. Actions that require supermajority approval of the Holdco I board of directors or the TAM board of directors include, as applicable:

- to approve the annual budget and business plan and the multi-year business (which we refer to collectively as the "approved plans"), as well as any amendments to these plans;
- to take or agree to take any action which causes, or will reasonably cause, individually, or in the aggregate, any capital, operating or other expense of any TAM Company and its subsidiaries to be greater than (i) the lesser of 1% of revenue or 10% of profit under the approved plans, with respect to actions affecting the profit and loss statement, or (ii) the lesser of 2% of assets or 10% of cash and cash equivalents (as defined by IFRS) as set forth in the approved plan then in effect, with respect to actions affecting the cash flow statement;
- to create, dispose of or admit new shareholders to any subsidiary of the relevant company, except to the extent expressly contemplated in the approved plans;
- to approve the acquisition, disposal, modification or encumbrance by any TAM company of any asset greater than \$15 million or of any equity securities or securities convertible into equity securities of any TAM Company or other company, except to the extent expressly contemplated in the approved plans;
- to approve any investment in assets not related to the corporate purpose of any TAM company, except to the extent expressly contemplated in the approved plans;
- to enter into any agreement in an amount greater than \$15 million, except to the extent expressly contemplated in the approved plans;
- to enter into any agreement related to profit sharing, joint ventures, business collaborations, alliance memberships, code sharing arrangements, except as approved by the business plans and budget then in effect, except to the extent expressly contemplated in the approved plans;
- to terminate, modify or waive any rights or claims of a relevant company or its subsidiaries under any arrangement in any amount greater than \$15 million, except to the extent expressly contemplated in the approved plans;
- to commence, participate in, compromise or settle any material action with respect to any litigation or proceeding in an amount greater than \$15 million, relating to the relevant company, except to the extent expressly permitted in the approved plans;
- to approve the execution, amendment, termination or ratification of agreements with related parties, except to the extent expressly contemplated in the approved plans;
- to approve any financial statements, amendments, or to any accounting, dividend or tax policy of the relevant company;
- to approve the grant of any security interest or guarantee to secure obligations of third parties;



- to appoint executives other than the Holdco I CEO or the TAM Directoria or to re-elect the then current TAM CEO or TAM CFO; and
- to approve any vote to be cast by the relevant company or its subsidiaries in its capacity as a shareholder.

Actions requiring supermajority shareholder approval include:

- to approve any amendments to the by-laws of any relevant company or its subsidiaries in respect to the following matters: (i) corporate purpose, (ii) corporate capital; (iii) the rights inherent to each class of shares and its shareholders; (iv) the attributions of shareholder regular meetings or limitations to attributions of the board of directors; (v) changes in the number of directors or officers; (vi) the term; (vii) the change in the corporate headquarters of a relevant company; (viii) the composition, attributions and liabilities of management of any relevant company; and (ix) dividends and other distributions;
- to approve the dissolution, liquidation, winding up of a relevant company;
- to approve the transformation, merger, spin-up or any kind of corporate re-organization of a relevant company;
- to pay or distribute dividends or any other kind of distribution to the shareholders;
- to approve the issuance, redemption or amortization of any debt securities, equity securities or convertible securities;
- to approve a plan or the disposal by sale, encumbrance or otherwise of 50% or more of the assets, as determined by the balance sheet of the previous year, of Holdco I;
- to approve the disposal by sale, encumbrance or otherwise of 50% or more of the assets of a subsidiary of Holdco I representing at least 20% of Holdco I or to approve the sale, encumbrance or disposition of equity securities such that Holdco I loses control;
- to approve the grant of any security interest or guarantee to secure obligations in excess of 50% of the assets of the relevant company; and
- to approve the execution, amendment, termination or ratification of acts or agreement with related parties but only if applicable law requires approval of such matters.

*Voting Agreements, Transfers and Other Arrangements*

*Voting Agreements*

The LATAM controlling shareholders and TEP Chile have agreed in the control group shareholders agreement to vote their respective LATAM Airlines Group common shares as follows:

- until such time as TEP Chile sells any of its LAN common shares (other than the exempted shares as defined below held by TEP Chile), the LATAM Airlines Group controlling shareholders will vote their LATAM Airlines Group common shares to elect to the LATAM Airlines Group board of directors any individual designated by TEP Chile unless TEP Chile beneficially owns enough LATAM Airlines Group common shares to directly elect two directors to the LATAM Airlines Group board of directors;
- the parties agree to vote their LATAM Airlines Group common shares to assist the other parties in removing and replacing the directors such other parties elected to the LATAM Airlines Group board of directors;
- the parties agree to consult with one another and use their good faith efforts to reach an agreement and act jointly on all actions (other than actions requiring supermajority approval under Chilean law) to be taken by the LATAM Airlines Group board of directors or the LATAM Airlines Group shareholders;
- the parties agree to maintain the size of the LATAM Airlines Group board of directors at a total of nine directors and to maintain the quorum required for action by the LATAM Airlines Group board of directors at a majority of the total number of directors of the LATAM Airlines Group board of directors; and
- if, after good faith efforts to reach an agreement with respect to any action that requires supermajority approval under Chilean law and a mediation period, the parties do not reach such an agreement then TEP Chile has agreed to vote its shares on such supermajority matter as directed by the LATAM Airlines Group controlling shareholders, which we refer to as a “directed vote.”

The number of “exempted shares” of TEP Chile means that number of LATAM Airlines Group common shares which TEP Chile owns immediately after the effective time in excess of 12.5% of the outstanding LATAM Airlines Group common shares at such time as determined on a fully diluted basis.



The parties to the Holdco I shareholders agreement and TAM shareholders agreement have agreed to vote their voting shares of Holdco I and shares of TAM so as to give effect to the agreements with respect to representation on the TAM board of directors discussed above.

*Transfer Restrictions*

Pursuant to the control group shareholders’ agreement, the LATAM Airlines Group controlling shareholders and TEP Chile are subject to certain restrictions on sales, transfers and pledges of the LATAM Airlines Group common shares and (in the case of TEP Chile only) the voting shares of Holdco I beneficially owned by them. Except for a limited amount of LATAM Airlines Group common shares, neither the LATAM Airlines Group controlling shareholders nor TEP Chile may sell any of its LATAM Airlines Group common shares, and TEP Chile may not sell its voting shares of Holdco I, until June 2015. Thereafter, sales of LATAM Airlines Group common shares by either party are permitted, subject to (i) certain limitations on the volume and frequency of such sales and (ii) in the case of TEP Chile only, TEP Chile satisfying certain minimum ownership requirements. After June 2022, TEP Chile may sell all of its LATAM Airlines Group common shares and voting shares of Holdco I as a block, subject to (x) approval of the transferee by the LATAM board of directors, (y) the condition that the sale not have an adverse effect and (z) a right of first offer in favor of the LATAM Airlines Group controlling shareholders, which we refer to collectively as “block sale provisions.” An “adverse effect” is defined in the control group shareholders agreement to mean a material adverse effect on our and Holdco I’s ability to own or receive the full benefits of ownership of TAM and its subsidiaries or the ability of TAM and its subsidiaries to operate their airline businesses worldwide. The LATAM Airlines Group controlling shareholders have agreed to transfer any voting shares of Holdco I acquired pursuant to such right of first offer to LATAM for the same consideration paid for such shares.

In addition, TEP Chile may sell all LATAM Airlines Group common shares and voting shares of Holdco I beneficially owned by it as a block, subject to satisfaction of the block sale provisions, after June 2015 if a release event (as described below) occurs or if TEP Chile is required to make two or more directed votes during any 24-month period at two meetings (consecutive or not) of the shareholders of LATAM Airlines Group held at least 12 months apart and LATAM Airlines Group has not yet fully exercised its conversion option described below. A “release event” will occur if (i) a capital increase of LATAM Airlines Group occurs, (ii) TEP Chile does not fully exercise the preemptive rights granted to it under applicable law in Chile with respect to such capital increase in respect of all of its restricted LATAM Airlines Group common shares, and (iii) after such capital increase is completed, the individual designated by TEP Chile for election to the board of directors of LATAM Airlines Group with the assistance of the LATAM Airlines Group controlling shareholders is not elected to the board of directors of LATAM Airlines Group.

In addition, after June 2022 and after the occurrence of the full ownership trigger date (as described below under the “—Conversion Option” section), TEP Chile may sell all or any portion of its LATAM Airlines Group common shares, subject to (x) a right of first offer in favor of the LATAM Airlines Group controlling shareholders and (y) the restrictions on sales of LATAM Airlines Group common shares more than once in a 12-month period.

The control group shareholders agreement provides certain exceptions to these restrictions on transfer for certain pledges of LATAM Airlines Group common shares made by the parties and for transfers to affiliates, in each case under certain limited circumstances.

In addition, TEP Chile agreed in the Holdco I shareholders agreement not to vote its voting shares of Holdco I, or to take any other action, in support of any transfer by Holdco I of any equity securities or convertible securities issued by it or by any of TAM or its subsidiaries without our prior written consent.

*Restriction on transfer of TAM shares*

LATAM agreed in the Holdco I shareholders’ agreement not to sell or transfer any shares of TAM stock to any person (other than our affiliates) at any time when TEP Chile owns any voting shares of Holdco I. However, LATAM will have the right to effect such a sale or transfer if, at the same time as such sale or transfer, LATAM (or its assignee) acquires all the voting shares of Holdco I beneficially owned by TEP Chile for an amount equal to TEP Chile’s then current tax basis in such shares and any costs TEP Chile is required to incur to effect such sale or transfer. TEP Chile has irrevocably granted us the assignable right to purchase all of the voting shares of Holdco I beneficially owned by TEP Chile in connection with any such sale.

*Conversion Option*

Pursuant to the control group shareholders’ agreement and the Holdco I shareholders’ agreement, we have the unilateral right to convert our shares of non-voting stock of Holdco I into shares of voting stock of Holdco I to the maximum extent allowed under law and to increase our representation on the TAM and Holdco I boards of directors if and when permitted in accordance with foreign ownership control laws in Brazil and other applicable laws if the conversion would not have an adverse effect (as defined above under the “—Transfer Restrictions” section).



On or after June 2022, and after we have fully converted all of our shares of non-voting stock of Holdco I into shares of voting stock of Holdco I as permitted by Brazilian law and other applicable laws, we will have the right to purchase all of the voting shares of Holdco I held by the controlling shareholders of TAM for an amount equal to their then current tax basis in such shares and any costs incurred by them to effect such sale, which amount we refer to as the “sale consideration.” If we do not timely exercise our right to purchase these shares or if, after June 2022, we have the right under applicable law in Brazil and other applicable law to fully convert all the shares of non-voting stock of Holdco I beneficially owned by us into shares of voting stock of Holdco I and such conversion would not have an adverse effect but we have not fully exercised such right within a specified period, then the controlling shareholders of TAM will have the right to put their shares of voting stock of Holdco I to us for an amount equal to the sale consideration.

#### *Acquisitions of TAM Stock*

The parties have agreed that all acquisitions of TAM common shares by LATAM Airlines Group, Holdco I, TAM or any of their respective subsidiaries from and after the effective time of the business combination will be made by Holdco I.

## **B. Related Party Transactions**

### **General**

We have engaged in a variety of transactions with our affiliates, including entities owned or controlled by certain of our controlling shareholders. In the ordinary course of our business we render to and receive from related companies services of various types, including aircraft leases, aircraft interchanges, freight transportation and reservation services.

It is our policy not to engage in any transaction with or for the benefit of any shareholder or member of the board of directors, or any entity controlled by such a person or in which such a person has a substantial economic interest, unless the transaction is related to our business and the price and other terms are at least as favorable to us as those that could be obtained on an arm’s-length basis from a third party. Such transactions, none of which is individually material, are summarized in Note 35 to our audited consolidated financial statements for the fiscal year ended December 31, 2014.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Financial Statements and Other Financial Information**

See “Item 3. Key Information—Selected Financial Data,” “Item 18. Financial Statements” and pages F-1 through F-194.

### **Legal and Arbitration Proceedings**

We are involved in routine litigation and other proceedings relating to the ordinary course of our business.

In February 2006 the European Commission (“EC”), the Department of Justice of the United States (“DOJ”), the Canadian Competition Bureau (“CCB”), and Conselho Administrativo de Defesa Econômica (CADE), among others, initiated a global investigation of a large number of international cargo airlines (among them LAN Cargo) for possible price fixing of cargo fuel surcharges and other fees in the European and United States air cargo markets. As previously announced, LAN Cargo reached plea agreements with the DOJ and the CCB, which included the payment of fines, in relation to such investigation.

On November 9, 2010, the EC imposed fines on 11 air carriers for a total amount of €800 million (equivalent to approximately US\$1.1 billion). The fine imposed against LAN Cargo and its parent company, LAN, totaled €8.2 million (equivalent to approximately US\$10.9 million). LAN provisioned US\$25 million during the fourth quarter of 2007 for such fines, and maintained this provision until the fine was imposed in 2010. In 2010, LAN recorded a US\$14.1 million gain (pre-tax) from the reversal of a portion of this provision. This was the lowest fine applied by the EC, which includes a significant reduction due to LAN’s cooperation with the Commission during the course of the investigation. In accordance with European Union law, on January 24, 2011 this administrative decision was appealed by LAN Cargo and LAN to the General Court in Luxembourg. Any judgment by the General Court may also be appealed to the Court of Justice of the European Union.

On September 3, 2013, CADE published its decision to impose a fine of US\$51.020 million against ABSA, after an investigation commenced in 2008, against several cargo airlines and airlines officers over allegations of anticompetitive practices regarding fuel surcharges in the air cargo business. CADE also imposed fines upon a former Director and two former employees in the amounts of US\$1.020 million and US\$510,000.00 respectively. On December 5, 2013 ABSA filed its application for Administrative Reconsideration before CADE. On December 19, 2014, CADE issued a new decision which reduced the fine against ABSA to US\$ 12,580,835 (based on an exchange rate of US\$ 1 = R\$ 2.6). CADE also reduced the fines against ABSA’s Director and employees to US\$ 251,616 and US\$ 125,800, respectively. ABSA is evaluating its option of a formal judicial appeal proceeding. Because ABSA



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continues to evaluate this judicial process, we cannot predict the ultimate outcome of this matter at this time.

The investigations by the DOJ, CCB and the EC prompted the filing of civil actions and claims by freight forwarding and shipping companies against many airlines, including LAN Cargo and LATAM Airlines Group. As previously announced, LAN Cargo and ABSA reached a settlement agreement with the class action plaintiffs / non-class action claimants in the United States and in Canada.



Civil actions have also been initiated against many airlines, including LAN Cargo and LATAM Airlines Group, in various European countries (Great Britain, Norway, Holland and Germany). The activity and progress of said civil actions is limited, in that they are directly contingent upon the pending appeal before the General Court in Luxembourg. Given the pending decision of the General Court and a potential subsequent appeal to the Court of Justice of the European Union, we cannot predict the ultimate outcome of these cases at this time.

Authorities in Chile and the United States continue to investigate payments by LATAM Airlines Group S.A. (formerly LAN Airlines S.A.) in 2006-2007, to a consultant who assisted in the resolution of labor issues in Argentina. In connection with the above, the Company has hired lawyers in Chile and the United States, and in June 2011 voluntarily reported this situation to the Securities and Exchange Commission and the Justice Department of the United States. The Company continues to cooperate with the Chilean and U.S. investigations, including the review by the U.S. authorities of any potential violations of applicable U.S. laws and regulations. Presently the Company cannot predict the results in the matter, nor estimate or range the potential losses or risks that may eventually result from the way in which these investigations are finally resolved.

#### *Legal proceedings involving TAM*

TAM Linhas Aéreas is party to one action filed by relatives of victims of an accident that occurred in October 1996 involving one of its Fokker 100 aircraft which crashed during departure, in addition to 22 actions filed by residents of the region of where the accident occurred, who are claiming pain and suffering, and a class action related to this crash. Any damages resulting from the aforementioned legal claims are covered by the civil liability guarantee provided for in TAM's insurance policy with ItaúUnibancoSeguros S.A. We believe that the cap of US \$400 million in that insurance policy is sufficient to cover any potential penalties and judicial or extrajudicial agreements arising as a result of this matter.

Insurance coverage has been sufficient to cover the liabilities arising from an accident that occurred in July 2007 involving an Airbus A320 aircraft from TAM Linhas Aereas. Settlements have been made directly between the insurance company and the victims' families. As of December 31, 2013, approximately 196 settlements have occurred and others are under negotiation between the insurance company and victims' families. Management believes that the insurance coverage is adequate and that TAM will not incur any expenses that were not contemplated by the scope of the insurance policy that would result in TAM's obligation to pay damages.

TAM Linhas Aereas filed an ordinary action with a request for injunctive relief for non-payment of the Airline Workers Fund, a tax charged monthly at the rate of 2.5% of an airline's total payroll. Payment of the tax credit is suspended by virtue of the injunctive relief granted in TAM's favor. Currently, judgment is pending on an appeal that TAM lodged challenging the initial decision (which was ruled in favor of the INSS). In 2004 and 2011, the INSS issued an assessment notice tolling the Statute of Limitations of the social security credit as a result of TAM Linhas Aereas' non-payment of the Airline Workers Fund. The administrative proceedings have been suspended until completion of the judicial process. The approximate adjusted value of this proceeding as of December 31, 2012 was R\$ 271 million. In the opinion of our legal advisors, the chance of losing in this proceeding is possible. Assuming payment of this tax is required by law, we have established a provision in the amount of R\$271 million pending the final outcome of the matter.

TAM Linhas Aereas is a plaintiff in an action filed against the Brazilian government in 1993 seeking damages for the break-up of an air transport concession agreement that resulted in the freezing of TAM's prices from 1988 to September 1993 in order to maintain operations with the prices set by the Brazilian government during that period. The process is currently being heard before the Federal Regional Court and judgment is pending an appeal by TAM requesting clarification of the initial decision. The estimated value of the action is R\$245 million, based on a calculation made by an expert witness of the court. This sum is subject to delinquent interest since September 1993 and inflation adjustment since November 1994. Based on the opinion of TAM's legal advisors, and recent rulings handed down by the Brazilian Supreme Court of Justice in favor of airlines in similar cases (specifically, actions filed by Transbrasil and Varig), we believe that TAM's likelihood of success is probable. We have not recognized these credits in our financial statements and will only do so if and when the aforementioned decision is final.

TAM Linhas Aereas filed an ordinary claim, with a request for early judgment, in relation to a dispute concerning the legality of charging the *Adicional das Tarifas Aeroportuárias* ("Additional Airport Tariffs," or "ATAERO"), which are charged at a rate of 50% on the value of tariffs and airport tariffs. The total amount involved, adjusted for inflation, as of December 31, 2012 totaled R\$1,146 million.

In addition, one administrative proceeding had been filed against TAM Linhas Aéreas concerning the alleged failure to pay an Industrialized Products Tax ("IPI") and Import Tax ("II") due on imported aircraft. In response, we filed the appropriate challenges on the basis that no federal tax should be payable on the imported aircraft because it is leased aircraft. The total amount involved in this administrative proceeding is R\$770 million. In April 2013, the Conselho Administrativo de Recursos Fiscais ("CARF") ruled the case in our favor and definitively released TAM from paying the initial debt.





## Dividend Policy

In accordance with the Chilean Corporation Law, LATAM must distribute cash dividends equal to at least 30% of its annual consolidated net income calculated in accordance with IFRS subject to the terms of *Oficio Circular* No. 856 issued on October 17, 2014 by the Chilean Superintendency of Securities and Insurance. If there is no net income in a given year, LATAM can elect but is not legally obligated to distribute dividends out of retained earnings. The board of directors may declare interim dividends out of profits earned during such interim period. Pursuant to LATAM's by-laws, the annual cash dividend is approved by the shareholders at the annual ordinary shareholders' meeting held between February 1 and April 30 of the year following the year with respect to which the dividend is proposed. All outstanding common shares are entitled to share equally in all dividends declared by LATAM, unless the shares have not been fully paid by the shareholder after being subscribed.

Holders of ADSs will be entitled to receive dividends on the underlying common shares to the same extent as holders of common shares. Holders of ADRs on the applicable record dates will be entitled to receive dividends paid on the common shares represented by the ADSs evidenced by such ADRs. Dividends payable to holders of ADSs will be paid by us to the depository in Chilean pesos and remitted by the depository to such holders net of foreign currency conversion fees and expenses of the depository and will be subject to Chilean withholding tax currently imposed at a rate of 35% (subject to credits in certain cases as described under "Item 10. Additional Information—Taxation—Cash Dividends and Other Distributions"). Owners of the ADSs will not be charged any dividend remittance fee by the depository with respect to cash dividends.

Chilean law requires that holders of shares of Chilean companies that are not residents of Chile register as foreign investors under one of the foreign investment regimes established by Chilean law in order to have dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market (*Mercado Cambiario Formal*). Under our Foreign Investment Contract, the depository, on behalf of ADS holders, will be granted access to the Formal Exchange Market to convert cash dividends from pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile.

## B. Significant Changes

None.



**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details**

The principal trading market for our common shares is the SSE. The common shares have been listed on the SSE under the symbol “LAN” since 1989, and the ADSs have been listed on the NYSE under the symbol “LFL” since November 7, 1997. The common shares also trade on the *Bolsa de Valores de Valparaíso* and the *Bolsa Electrónica de Chile*. On June 22<sup>nd</sup>, 2012 the common shares additionally started to be traded on the Brazilian Stock Exchange (“Bovespa”) under the symbol LATM11. The outstanding ADSs are identified by the CUSIP number 501723100. The following table sets forth, for the periods indicated, the high and low closing sale prices on the SSE for the common shares and the high and low closing prices on the NYSE for the common shares represented by ADSs. The information set forth in the table below reflects actual historical amounts and has not been restated in constant Chilean pesos.

| Period         | Ch\$ per Common Share |          | US\$ per ADS |       | R\$ per BDR |       |
|----------------|-----------------------|----------|--------------|-------|-------------|-------|
|                | Low                   | High     | Low          | High  | Low         | High  |
| <b>2010</b>    | 14,790.00             | 15,600.0 | 30.79        | 32.68 |             |       |
| <b>2011</b>    | 14,790.00             | 15,600.0 | 18.65        | 31.91 |             |       |
| <b>2012(*)</b> | 10,577.3              | 14,360.7 | 22.10        | 29.40 | 45.33       | 53.35 |
| <b>2013</b>    | <i>Quarters:</i>      |          |              |       |             |       |
| First          | 10,112.5              | 11,755.4 | 21.53        | 24.84 | 42.38       | 49.00 |
| Second         | 7,800.9               | 10,100.6 | 15.17        | 21.22 | 31.73       | 42.30 |
| Third          | 5,967.3               | 8,313.9  | 11.62        | 16.45 | 26.53       | 35.16 |
| Fourth         | 7,388.0               | 8,726.6  | 14.91        | 16.86 | 32.94       | 38.59 |
| <i>Annual:</i> | Annual 2013           |          |              |       |             |       |
|                | 5,967.3               | 11,755.4 | 11.62        | 24.84 | 26.53       | 49.00 |
| <b>2014</b>    | <i>Quarters:</i>      |          |              |       |             |       |
| First          | 7,517.5               | 8,791.6  | 13.46        | 16.36 | 31.01       | 38.00 |
| Second         | 7,444.2               | 8,742.5  | 13.36        | 15.62 | 30.80       | 35.60 |
| Third          | 6,697.0               | 7,694.1  | 11.32        | 13.69 | 25.00       | 30.47 |
| Fourth         | 6,533.3               | 7,359.6  | 10.60        | 12.30 | 26.00       | 32.00 |
| <i>Months:</i> | September             |          |              |       |             |       |
|                | 6,860.6               | 7,694.1  | 11.32        | 13.03 | 26.49       | 30.47 |
|                | 6,533.3               | 7,024.9  | 10.99        | 12.20 | 26.00       | 29.40 |
|                | 6,840.1               | 7,359.6  | 11.31        | 12.30 | 28.00       | 30.49 |
|                | 6,675.6               | 7,301.6  | 10.60        | 11.98 | 28.50       | 32.00 |
| <i>Annual:</i> | Annual 2014           |          |              |       |             |       |
|                | 6,533.3               | 7,359.6  | 10.60        | 16.36 | 25.00       | 38.00 |
| <b>2015</b>    | <i>Months:</i>        |          |              |       |             |       |
| January        | 6,684.5               | 7,198.3  | 10.37        | 11.82 | 27.71       | 29.50 |
| February       | 6,545.3               | 6,942.4  | 10.49        | 11.05 | 31.01       | 36.00 |
| March          | 5,286.8               | 6,513.4  | 8.27         | 10.44 | 26.35       | 28.00 |

Source: Santiago Stock Exchange, the New York Stock Exchange and the Bovespa

- (\*) From June 22, 2012, following the combination of LAN and TAM, the trading stock continues to be listed as “LFL” on the NYSE and as “LAN” on the SSE, but reflects the value of the combined operating entity, LATAM Airlines Group.
- (1) As of March 25, 2015.

As of January 31, 2015, a total of 545,558,101 million common shares were outstanding, including common shares represented by ADSs.



**B. Plan of Distribution**

Not applicable.

**C. Markets**

**Trading**

*Chile*

The Chilean stock market, which is regulated by the SVS under Law 18,045 of October 22, 1981, as amended, which we refer to as the Securities Market Law, is one of the most developed among emerging markets, reflecting the particular economic history and development of Chile. The Chilean government's policy of privatizing state-owned companies, implemented during the 1980s, led to an expansion of private ownership of shares, resulting in an increase in the importance of stock markets. Privatization extended to the social security system, which was converted into a privately managed pension fund system. These pension funds have been allowed, subject to certain limitations, to invest in stocks and are currently major investors in the stock market. Some market participants, including pension fund administrators, are highly regulated with respect to investment and remuneration criteria, but the general market is less regulated than the U.S. market with respect to disclosure requirements and information usage.

The SSE is Chile's principal exchange and accounts for approximately 86.87% of securities traded in Chile. Approximately 12.91% of equity trading is conducted on the Chilean Electronic Stock Exchange, an electronic trading market created by banks and non-member brokerage houses. The remaining equity trading is conducted on the Valparaíso Stock Exchange.

Equities, closed-end funds, fixed-income securities, short-term and money market securities, gold and U.S. dollars are traded on the SSE. In 1991, the SSE initiated a futures market with two instruments: U.S. dollar futures and Selective Shares Price Index, or IPSA, futures. Securities are traded primarily through an open voice auction system; a firm offers system or daily auctions. Trading through the open voice system occurs on each business day between 9:30 a.m. to 4:30 p.m. The SSE has an electronic system of trade, called *Telepregón HT*, which operates continuously for stocks trading in high volumes from 9:30 a.m. to 4:00 p.m. (or 5:00 p.m., depending on the period of the year). The Chilean Electronic Stock Exchange operates continuously from 9:30 a.m. to 4:30 p.m. (or 5:30 p.m., depending on the period of the year) on each business day. In February 2000, the SSE Off-Shore Market began operations. In the Off-Shore Market, publicly offered foreign securities are traded and quoted in U.S. dollars.

*Brazil*

Bovespa is a Brazilian publicly-held company, created in 2008, through the integration between the São Paulo Stock Exchange (Bolsa de Valores de São Paulo) and the Brazilian Mercantile & Futures Exchange (Bolsa de Mercadorias e Futuros).

Bovespa is the most important Brazilian institution to intermediate equity market transactions and the only securities, commodities and futures exchange in Brazil. Trading on such exchanges is limited to member brokerage firms and to limited number of authorized non-members. LATAM's common shares are listed on the Bovespa.

Although the Brazilian equity market is Latin America's largest in terms of market capitalization, it is smaller and less liquid than major U.S. and European securities markets. Any of the outstanding shares of a listed company may trade on a Brazilian stock exchange, but in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, governmental entities or one principal shareholder.

The Brazilian securities markets are principally governed by Law No. 6,385, of December 7, 1976, and Brazilian corporation law, each as amended and supplemented, and by regulations issued by the CVM, which has authority over stock exchanges and the securities markets generally; the National Monetary Council; and the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions.

Trading through Bovespa occurs on each business day between 10:00 a.m. to 4:20 pm (Brazilian local time).

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.



## ITEM 10. ADDITIONAL INFORMATION

This Item reflects recent legal amendments effected by Chilean Law No. 20,382 on Corporate Governance, which was enacted on October 20, 2009, and came into effect on January 1, 2010, and Chilean Law No. 20,552, which modernize and encourage competition in the financial system, enacted on November 6, 2011 and into effect on December 17, 2011.

### A. Share Capital

Not applicable.

### B. Memorandum and Articles of Association

Set forth below is information concerning our share capital and a brief summary of certain significant provisions of our by-laws and Chilean law. This description contains all material information concerning the common shares but does not purport to be complete and is qualified in its entirety by reference to our by-laws, the Chilean Corporation Law and the Securities Market Law, each referred to below. For additional information regarding the common shares, reference is made to our by-laws, a copy of which is included as Exhibit 1.1 to this annual report on Form 20-F.

#### Organization and Register

LATAM Airlines Group is a publicly held stock corporation (*sociedad anónima abierta*) incorporated under the laws of Chile. LATAM Airlines Group was incorporated by a public deed dated December 30, 1983, an abstract of which was published in the Chilean Official Gazette (*Diario Oficial de la República de Chile*) No. 31.759 on December 31, 1983, and registered on page 20,341, No. 11,248 of the Chilean Real Estate and Commercial Registrar (*Registro de Comercio del Conservador de Bienes Raíces y Comercio de Santiago*) for the year 1983. Our corporate purpose, as stated in our by-laws, is to provide a broad range of transportation and related services, as more fully set forth in Article Four thereof.

#### General

Shareholders' rights in a Chilean company are generally governed by the company's by-laws and the Chilean Corporation Law. Article 22 of the Chilean Corporation Law states that the purchaser of shares of a company implicitly accepts its by-laws and any prior agreements adopted at shareholders' meetings. Additionally, the Chilean Corporation Law regulates the government and operation of corporations ("*sociedades anónimas*," or S.A.) and provides for certain shareholder rights. Article 137 of the Chilean Corporation Law provides that the provisions of the Chilean Corporation Law take precedence over any contrary provision in a corporation's by-laws. The Chilean Corporation Law and our by-laws also provide that all disputes arising among shareholders in their capacity as such or between us or our administrators and the shareholders may either be submitted to arbitration in Chile or to the courts of Chile at the election of the plaintiff initiating the action. Despite the foregoing, a recent legal amendment has forbidden certain individuals (directors, senior managers, administrators and main executives of the corporation, and any shareholder that directly or indirectly holds shares whose book or market value exceed 5,000 UF at the moment of filing of the action) from submitting such action before the ordinary courts, thus obligating them to proceed with arbitration in all situations. Finally, Decree-Law No. 3,500 on Pension Fund Administrators, which allows pension funds to invest in the stock of qualified corporations, indirectly affects corporate governance and prescribes certain rights of shareholders. The Chilean Corporation Law sets forth the rules and requirements under which a corporation is deemed to be "publicly held." Article 2 of the Chilean Corporation Law defines publicly held corporations as corporations that register their shares with the *Registro de Valores* (Securities Registry) of the SVS, either voluntarily or pursuant to a legal obligation. In addition, Article 5 of the Chilean Securities Market Law indicates which corporation's shares must be registered with the Securities Registry:

- one with 500 or more shareholders; and
- one in which 100 or more shareholders own at least 10% of the subscribed capital (excluding any direct or indirect individual holdings exceeding 10%).

The framework of the Chilean securities market is regulated by the SVS under the Securities Market Law and the Chilean Corporation Law, which imposes certain disclosure requirements, restricts insider trading, prohibits price manipulation and protects minority investors. In particular, the Securities Market Law establishes requirements for public offerings, stock exchanges and brokers and outlines disclosure requirements for corporations that issue publicly offered securities.



## Ownership Restrictions

Under Articles 12 and 20 of the Securities Market Law and General Rule 269 issued by the SVS in 2009, certain information regarding transactions in shares of publicly held corporations must be reported to the SVS and the Chilean stock exchanges on which the shares are listed. Since the ADRs are deemed to represent the shares underlying the ADSs, transactions in ADRs will be subject to those reporting requirements. Among other matters, the beneficial owners of ADSs that directly or indirectly hold 10% or more of the subscribed capital of LATAM Airlines Group, or that reach or exceed such percentage through an acquisition, are required to report to the SVS and the Chilean stock exchanges, the day following the event:

- any acquisition or sale of shares; and
- any acquisition or sale of contracts or securities the price or performance of which depends on the price variation of the LATAM Airlines Group's shares.

These obligations are extended (i) to certain individuals (immediate family, next of kin and others) if the ADS holder is a natural person; (ii) to any entity controlled by the holder, if the ADS is a legal entity; and (iii) to groups, if a holder has any joint action agreement with other holders and the group reaches or exceeds the cited threshold.

In addition, majority shareholders must state in their report whether their purpose is to acquire control of the company or if they are making a financial investment.

Under Article 54 of the Securities Market Law and under SVS regulations, persons or entities that intend to acquire control, whether directly or indirectly, of a publicly traded company, must follow certain notice requirements, regardless of the acquisition vehicle or procedure or whether the acquisition will be made through direct subscriptions or private transactions. In the first place, the potential acquirer must send a written communication to the target corporation, any companies controlling or controlled by the target corporation, the SVS and the Chilean stock exchanges on which the target's securities are listed, stating, among other things, the person or entity purchasing or selling and the price and conditions of any negotiations. Subsequently, the potential acquirer must also inform the public of its planned acquisition by means of a publication in two Chilean newspapers with national distribution and by uploading such notice to the acquirer's website, if available. Both requirements shall be met at least ten business days prior to the date on which the acquisition transaction is to close, and in any event, as soon as negotiations regarding the change of control have been formalized or when confidential information or documents concerning the target are delivered to the potential acquirer. The notices must state, among other things, the person or entity purchasing or selling and the price and conditions of any negotiations.

In addition to the foregoing, Article 54A of the Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

Consequently, a beneficial owner of ADSs intending to acquire control of LATAM Airlines Group will be subject to the foregoing reporting requirements.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Securities Market Law on tender offers and SVS regulations provide that the following transactions shall be carried out through a tender offer:

- an offer which allows to take control of a publicly traded company, unless the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange;
- an offer for all the outstanding shares of a publicly traded company upon acquiring two-thirds or more of its voting shares (this offer must be made at a price not lower than the price at which appraisal rights may be exercised, that is, book value if the shares of the company are not actively traded or, if the shares of the company are actively traded, the weighted average price at which the stock has been traded during the two months immediately preceding the acquisition); and
- an offer for a controlling percentage of the shares of a publicly traded company if the acquirer intends to take control of the company (whether publicly-traded or privately held) controlling such publicly traded company, to the extent that the latter represents 75.0% or more of the consolidated net assets of the former.



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Article 200 of the Securities Market Law prohibits any shareholder that has taken control of a publicly traded company from acquiring, for a period of twelve months from the date of the transaction that granted it control of the publicly traded company, a number of shares equal to or higher than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on the floor of a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Securities Market Law sets forth the basis for determining what constitutes a controlling power, a direct holding and a related party.



**Capitalization**

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in the company's share capital. When an investor subscribes issued shares, the shares are registered in that investor's name even without payment, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and return of capital, provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends of distribution of capital despite not having paid for the subscribed shares. The investor becomes eligible to receive dividends once it has paid for the shares, or, if it has paid for only a portion of such shares, it is entitled to receive a corresponding pro rata portion of the dividends declared with respect to such shares, unless the company's by-laws provide otherwise. If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the appropriate stock exchange, and it has a cause of action against the investor to recover the difference between the subscription price and the price received for the sale of those shares at auction. However, until such shares are sold at auction, the investor continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital, as noted above). Regarding shares issued but not paid for within the period determined by the extraordinary shareholders' meeting for their payment (which period cannot exceed three years from the date of such shareholders' meeting), until January 1, 2010 they were canceled and no longer available for issuance by us. As of January 1, 2010, the board of directors of LATAM Airlines Group has a legal obligation to initiate the necessary legal actions to collect the unpaid amounts, unless the shareholders' meeting which authorized the capital increase, allowed the board to abstain from taking such action by a vote of two thirds of the issued shares, in which case the former rule still applies. Once the foregoing legal actions are exhausted, the board of directors shall propose to the shareholders' meeting the appropriate capital adjustment measures, to be decided by simple majority. Fully paid shares are not subject to further calls or assessments or to liabilities of LATAM Airlines Group.

As of February, 28, 2015, our share capital consisted of 545,558,101 common shares, all of which were subscribed and fully paid. Chilean law recognizes the right of corporations to issue common and preferred shares. To date, we have issued and are authorized by our shareholders to issue only common shares. Each share of stock is entitled to one vote. Pursuant to two employee compensation plans: (i) 2011: approved by extraordinary shareholders' meetings held on December 21, 2011 and September 4, 2012, the issuance of the shares for this compensation plan has been authorized but has not been made effective, as such issuance is subject to the exercising of rights granted to certain employees that expire on December 21, 2016; and (ii) 2013: approved by extraordinary shareholders' meeting held on June 11, 2013, the issuance of the shares for this compensation plan has been authorized but has not been made effective, as such issuance is subject to the exercising of rights granted to certain employees that expire on November 15, 2017.

**Preemptive Rights and Increases in Share Capital**

The Chilean Corporation Law requires Chilean companies to offer existing shareholders the right to purchase a sufficient number of shares to maintain their existing percentage of ownership in a company whenever that company issues new shares for cash, except for up to 10% of the capital increase which may be designated to employee compensation pursuant to article 24 of the Corporation Law. Under this requirement, any preemptive rights will be offered by us to the depository as the registered owner of the common shares underlying the ADSs, but holders of ADSs and shareholders located in the United States will not be allowed to exercise preemptive rights with respect to new issuances of shares by us unless a registration statement under the Securities Act is effective with respect to those common shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate at the time of any preemptive rights offering the costs and potential liabilities associated with the preparation and filing of a registration statement with the SEC, as well as the indirect benefits of enabling the exercise by the holders of ADSs and shareholders located in the United States of preemptive rights and any other factors we consider appropriate at the time. No assurances can be given that any registration statement would be filed. If preemptive rights are not made available to ADS holders, the depository may sell those holders' preemptive rights and distribute the proceeds thereof if a secondary market for such rights exists and a premium can be recognized over the cost of such sale. In the event that the depository does not sell such rights at a premium over the cost of any such sale, all or certain holders of ADRs may receive no value for the preemptive rights. The inability of holders of ADSs to exercise preemptive rights in respect of common shares underlying their ADSs could result in a change in their percentage ownership of common shares following a preemptive rights offering.

Under Chilean law, preemptive rights are freely exercisable, transferable or waived by shareholders during a thirty-day period commencing upon publication of the official notice announcing the start of the preemptive rights period in the newspaper designated by the shareholders' meeting. The preemptive right of the shareholders is the pro rata amount of the shares registered in their name in the shareholders' registry of LATAM Airlines Group as of the fifth business day prior to the date of publication of the notice announcing the start of the preemptive rights period. During such thirty-day period (except for shares as to which preemptive rights have been waived), Chilean companies are not permitted to offer any newly issued common shares for sale to third parties. For that thirty-day period and an additional thirty-day period, Chilean publicly held corporations are not permitted to offer any unsubscribed common shares for sale to third parties on terms that are more favorable to the purchaser than those offered to shareholders. At the end of such additional thirty-day period, Chilean publicly held corporations are authorized to sell non-subscribed shares to third-parties on any terms, provided they are sold on a Chilean stock exchange.



## Directors

Our by-laws provide for a board of nine directors. Compensation to be paid to directors must be approved by vote at the annual shareholders' meeting. We hold elections for all positions on the board of directors every two years. Under our by-laws, directors are elected by cumulative voting. Each shareholder has one vote per share and may cast all of his or her votes in favor of one nominee or may apportion his or her votes among any number of nominees. These voting provisions currently ensure that a shareholder owning more than 10% of our outstanding shares is able to elect at least one representative to our board of directors.

Under the Chilean Corporation Law, transactions of a publicly-traded company with a "related" party must be conducted on an arm's-length basis and must satisfy certain approval and disclosure requirements which are different from the ones that apply to a privately-held company. The conditions apply to the publicly-traded company and to all of its subsidiaries.

These transactions include any negotiation, act, contract or operation in which the publicly-traded company intervenes together with either (i) parties which are legally deemed related pursuant to article 100 of the Chilean Securities Market Law, (ii) a director, senior manager, administrator, main executive or liquidator of the company, either on their own behalf or on behalf of a third party, including those individuals' spouses or close relatives, (iii) companies in which the foregoing individuals own at least 10% (directly or indirectly), or in which they serve as directors, senior managers, administrators or main executives (iv) parties indicated as such in the publicly-traded company's by-laws, or identified by the directors' committee, or (v) those who have served as directors, senior managers, administrators, main executives or liquidators of the counterparty in the last eighteen months and are now serving in one of those positions at the publicly-traded company.

Corporations may enter into transactions with related parties if (i) the transaction is in the interest of the corporation, (ii) the transaction is made on an arm's-length basis at market conditions, (iii) the individuals involved in the transactions report them immediately to the board, (iv) the transaction is approved after a reasoned explanation by the majority of the board, excluding those directors or liquidators that are involved in the transaction (who shall, nonetheless, render an opinion on the matter if required by the board), (v) the decisions of the board is disclosed at the next shareholders' meeting, and (vi) in case the majority of the board is disqualified to vote, the majority of the non-involved directors have approved the transaction, or two thirds of the voting shares have approved the transaction).

If as noted in clause (vi) of the preceding paragraph, the transaction is to be approved by the shareholder's meeting, the following additional rules apply: (i) the board shall appoint an independent appraiser that shall report to the shareholders on the transaction; (ii) the director's committee or the non-involved directors may appoint a second independent appraiser; (iii) the appraiser's reports shall be made available for fifteen days; (iv) the receipt and availability of the reports shall be disclosed as a material fact; (iv) directors shall render an opinion on the transaction within five business days after receiving the reports.

Transactions which do not meet the foregoing requirements are valid and enforceable, but neither the corporation nor its shareholders shall have a cause of action to sue the infringing party for reimbursement on behalf of the corporation, for a total of the benefits reported to the interested party, in addition to indemnification for the damages caused. In such proceedings, the defendant shall prove that the transaction met the legal requirements.

The Chilean Corporation Law sets forth a number of exceptions to the foregoing rules. In the following situations, transactions with related parties may be carried out without complying with the foregoing rules: (i) if a transaction does not involve a substantial amount (if it does not exceed 1.0% of the net worth of the company and does not exceed the equivalent of 2,000 UF or approximately US\$96,554 as of the date of this annual report on Form 20F) unless such a transaction exceeds 20,000 UF (for this calculation all similar transactions carried out within a consecutive 12-month period between the same parties or for the same subject matter, shall be deemed as a single transaction), (ii) transactions which according to the policies determined by the board of directors, are deemed to be within the ordinary course of business (the determination of such policies shall be disclosed as a material fact and made available to shareholders), and (iii) if the counterparty is an entity in which the publicly-traded company has, directly or indirectly, at least a 95.0% ownership. As per the exemption indicated in (ii) above, on December 29, 2009, the Board of Directors of LATAM Airlines Group established policies setting forth the transactions that fall within the ordinary course of business. That determination was publicly disclosed on the same day and is currently available on LATAM Airlines Group's website under the "Corporate Governance" section.

## Shareholders' Meetings and Voting Rights

The Chilean Corporation Law requires that an ordinary annual meeting of shareholders be held within the first four months of each year after being called by the board of directors (generally they are held in April, but in any case following the preparation of our financial statements, including the report of our auditors, for the previous fiscal year). LATAM Airlines Group's by-laws further provide that the ordinary annual meeting of shareholders must take place between February 1 and April 30. The shareholders at the ordinary annual meeting approve the annual financial statements, including the report of our auditors, the annual report, the dividend policy and the final dividend on the prior year's profits, elect the board of directors (in our case, every two years or earlier if a vacancy occurs) and approve any other matter that does not require an extraordinary shareholders' meeting. The most recent extraordinary meeting of our shareholders was held on June 11, 2013, and the most recent ordinary annual meeting of our shareholders was held on April 29, 2013.





Extraordinary shareholders' meetings may be called by the board of directors, if deemed appropriate, and ordinary or extraordinary shareholders' meetings must be called by the board of directors when requested by shareholders representing at least 10.0% of the issued voting shares or by the SVS. In addition, as from January 1, 2010 there are two new rules in this regard: (i) the SVS may directly call for an extraordinary shareholders' meeting in case of a publicly-traded companies, and (ii) any kind of shareholders' meeting may be self-convened and take place if all voting shares attend, regardless of the fulfillment of the notice and other type of procedural requirements.

Notice to convene the ordinary annual meeting or an extraordinary meeting is given by means of three notices which must be published in a newspaper of our corporate domicile (currently Santiago, Chile) designated by the shareholders at their annual meeting and, if the shareholders fail to make such designation, the notice must be published in the Chilean Official Gazette pursuant to legal requirements. The first notice must be published not less than fifteen days and not more than twenty days in advance of the scheduled meeting. Notice also must be mailed not less than fifteen days in advance of the meeting to each shareholder and to the SVS and the Chilean stock exchanges. Currently, we publish our official notices in the newspaper *La Tercera* (available online at [www.latercera.com](http://www.latercera.com)).

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing a majority of our issued common shares. If that quorum is not reached, the meeting can be reconvened within forty-five days, and at the second meeting the shareholders present are deemed to constitute a quorum regardless of the percentage of the common shares that they represent.

Only shareholders registered with us on the fifth business day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual (who need not be a shareholder) as his or her proxy to attend and vote on his or her behalf. Proxies addressed to us that do not designate a person to exercise the proxy are taken into account in order to determine if there is a sufficient quorum to hold the meeting, but the shares represented thereby are not entitled to vote at the meeting. The proxies must fulfill the requirements set forth by the Chilean Corporation Law and its regulatory norms. Every shareholder entitled to attend and vote at a shareholders' meeting has one vote for every share subscribed.

The following matters can only be considered at an extraordinary shareholders' meeting:

- our dissolution;
- a merger, transformation, division or other change in our corporate form or the amendment of our by-laws;
- the issuance of bonds or debentures convertible into shares;
- the conveyance of 50% or more of our assets (whether or not it includes our liabilities);
- the adoption or amendment of any business plan which contemplates the conveyance of assets in excess of the foregoing percentage;
- the conveyance of 50% or more of the assets of a subsidiary, if the latter represents at least 20% of our assets;
- the conveyance of shares of a subsidiary which entails the transfer of control;
- granting of a security interest or a personal guarantee in each case to secure the obligations of third parties, unless to secure or guarantee the obligations of a subsidiary, in which case only the approval of the board of directors will suffice; and
- other matters that require shareholder approval according to Chilean law or the by-laws.

The matters referred to in the first seven items listed above may only be approved at a meeting held before a notary public, who shall certify that the minutes are a true record of the events and resolutions of the meeting.

The by-laws establish that resolutions are passed at shareholders' meetings by the affirmative vote of an absolute majority of those voting shares present or represented at the meeting. However, under the Chilean Corporation Law, the vote of a two-thirds majority of the outstanding voting shares is required to approve any of the following actions:

- a change in our corporate form, division or merger with another entity;
- amendment to our term of existence, if any;
- our early dissolution;
- change in our corporate domicile;
- decrease of our capital stock;



- approval of contributions and the assessment thereof whenever consisting of assets other than money;
- any modification of the authority reserved for the shareholders' meetings or limitations on the powers of the board of directors;
- decrease in the number of members of the board of directors;
- the conveyance of 50% or more our assets (whether or not it includes our liabilities);
- the adoption or amendment of any business plan which contemplates the conveyance of assets in excess of the foregoing percentage;
- the conveyance of 50% or more of the assets of a subsidiary, if the latter represents at least 20% of our assets;
- the conveyance of shares of a subsidiary which entails the transfer of control;
- the form that dividends are paid in;
- granting a security interest or a personal guarantee in each case to secure obligations of third parties that exceeds 50% of our assets, unless to secure or guarantee the obligations of a subsidiary, in which case only approval of the board of directors will suffice;
- the acquisition of our own shares, when, and on the terms and conditions, permitted by law;
- all other matters provided for in the by-laws; and
- the correction of any formal defect in our incorporation or any amendment to our by-laws that refers to any of the matters indicated in the first thirteen items listed above;
- the institution of the right of the controlling shareholder who has purchases at least 95% of the shares, to purchase shares of the outstanding minority shareholders pursuant to the procedure set forth in article 71 bis of the Corporation Law;
- the approval or ratification of transactions with related parties, as per article 147 of the Corporation Law (described above).

Amendments to the by-laws that have the effect of establishing, modifying or eliminating any special rights pertaining to any series of shares require the consenting vote of holders of two-thirds of the shares of the affected series. As noted above, LATAM Airlines Group does not have special series of shares.

In general, Chilean law does not require a publicly held corporation to provide the level and type of information that the U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the company and its subsidiaries within the fifteen-day period before a scheduled meeting. No later than the first notice summoning an ordinary shareholder's meeting, the board of directors of a publicly held corporation is required to send to every shareholder notice by regular mail, a notice containing a reference to the issues that will be discussed, together with instructions to obtain all the appropriate documentation regarding those issues, and publish such notice on its website. The board is also required to provide a copy of the annual report and the financial statements of the company. However, the SVS may authorize companies that have a large number of shareholders to limit the sending of such documents only to those shareholders who have a number of shares exceeding a certain number, and, in any case, to any shareholder who has requested a written notice. Shareholders who do not fall into this category but who request it must be sent a copy of our annual report. In addition to these requirements, we regularly have provided, and currently intend to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend for shareholder approval. See "—Dividend and Liquidation Rights" below.

The Chilean Corporation Law provides that, whenever shareholders representing 10% or more of the issued voting shares so request, a Chilean company's annual report must include such shareholders' comments and proposal in relation to the company's affairs, together with the comments and proposals set forth by the directors' committee. Similarly, the Chilean Corporation Law provides that whenever the board of directors of a publicly held corporation convenes an ordinary meeting of the shareholders and solicits proxies for that meeting, or distributes information supporting its decisions or other similar material, it is obligated to include as an annex to its annual report any pertinent comments and proposals that may have been made by shareholders owning 10% or more of the company's voting shares who have requested that such comments and proposals be included, together with the comments and proposals set forth by the directors' committee.

### Dividend and Liquidation Rights

In accordance with the Chilean Corporation Law, LATAM Airlines Group must distribute an annual cash dividend equal to at least 30% of its annual net income calculated in accordance with IFRS, unless otherwise decided by a unanimous vote of the holders of all issued shares, and unless and except to the extent it has accumulated losses. If there is no net income in a given year, LATAM Airlines Group can elect but is not legally obligated to distribute dividends out of retained earnings. All outstanding common shares are entitled to share equally in all dividends declared by LATAM Airlines Group, unless the shares have not been fully paid by the shareholder after being subscribed.



For all dividend distributions agreed by the board of directors in excess of the mandatory minimum of 30% noted in the preceding paragraph, LATAM Airlines Group may grant an option to its shareholders to receive those dividends in cash, or in shares issued by either LATAM Airlines Group or other corporations. Shareholders who do not expressly elect to receive a dividend other than in cash are legally presumed to have decided to receive the dividend in cash. A U.S. holder of ADSs may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash. See “—Preemptive Rights and Increases in Share Capital” above.

Dividends that are declared but not paid within the appropriate time period set forth in the Chilean Corporation Law (as to minimum dividends, thirty days after declaration; as to additional dividends, the date set for payment at the time of declaration) are adjusted to reflect the change in the value of the UF. The UF is a daily indexed, Chilean peso-denominated accounting unit designed to discount the effect of Chilean inflation and it is based on the previous month’s inflation rate as officially determined. Such dividends also accrue interest at the then-prevailing rate for UF-denominated deposits during such period. The right to receive a dividend lapses if it is not claimed within five years from the date such dividend is payable. After that period, the amount not claimed is given to a non-profit organization, the *Junta Nacional de Cuerpos de Bomberos de Chile* (the National Corporation of Firefighters).

In the event of LATAM Airlines Group’s liquidation, the holders of fully paid common shares would participate pro rata in the distribution of assets remaining after payment of all creditors. Holders of shares not fully paid will participate in such distribution in proportion to the amount paid.

### Approval of Financial Statements

The board of directors is required to submit our consolidated financial statements to the shareholders for their approval at the annual ordinary shareholders’ meeting. If the shareholders reject the financial statements, the board of directors must submit new financial statements not later than sixty days from the date of that meeting. If the shareholders reject the new financial statements, the entire board of directors is deemed removed from office and a new board is to be elected at the same meeting. Directors who approved such financial statements are disqualified for re-election for the ensuing period.

### Right of Dissenting Shareholders to Tender Their Shares

The Chilean Corporation Law provides that, upon the adoption at an extraordinary meeting of shareholders of any of the resolutions or if it takes place any of the situations enumerated below, dissenting or affected shareholders acquire the right to withdraw and to compel the company to repurchase their shares, subject to the fulfillment of certain terms and conditions. However, such right shall be suspended if we are declared bankrupt or are subject to a creditor’s agreement pursuant to Title XII of Book IV of the Commerce Code. In the case of holders of ADRs, however, in order to exercise such rights, holders of ADRs would be required to first withdraw the common shares represented by the ADRs pursuant to the terms of the deposit agreement. Such holders of ADRs would need to perfect the withdrawal of the common shares on or before the fifth business day prior to the date of the meeting.

“Dissenting shareholders” are defined as those who attend a shareholders’ meeting and vote against a resolution which results in the withdrawal right, or, if absent at such a meeting, those who state in writing to the company their opposition to such resolution within the following thirty days. Dissenting shareholders must perfect their withdrawal rights by tendering their stock to the company within thirty days after adoption of the resolution.

The price paid to a dissenting shareholder of a publicly held corporation is the weighted average of the sales prices for the shares as reported on the Chilean stock exchanges on which the shares are quoted for the two-month period preceding the event giving rise to the withdrawal right. If, because of the volume, frequency, number and diversity of the buyers and sellers, the SVS determines that the shares are not shares actively traded on a stock exchange (*acciones de transacción bursátil*), the price paid to the dissenting shareholder is the book value. Book value for this purpose equals paid capital plus reserves and profits, less losses, divided by the total number of subscribed shares (whether entirely or partially paid). For the purpose of making this calculation, the last annual balance sheet is used and adjusted to reflect inflation up to the date of the shareholders’ meeting that gave rise to the withdrawal right.

The resolutions and situations that result in a shareholder’s right to withdraw are the following:

- the transformation of the company into an entity that is not a publicly held corporation governed by the Chilean Corporation Law;
- the merger of the company with or into another company;
- the conveyance of 50% or more of the assets of the company, whether or not such sale includes the company’s liabilities;
- the adoption or amendment of any business plan which contemplates the conveyance of assets in excess of the foregoing percentage;



- the conveyance of 50% or more of the assets of a subsidiary, if the latter represents at least 20% of our assets;
- the conveyance of shares of a subsidiary which entails the transfer of control;
- the creation of preferential rights for a class of shares or an extension, amendment or reduction to those already existing, in which case the right to withdraw only accrues to the dissenting shareholders of the class or classes of shares adversely affected;
- the correction of any formal defect in the incorporation of the company or any amendment to the company's by-laws that grants the right to withdraw;
- the granting of security interests or personal guarantees to secure or guarantee third parties' obligations exceeding 50% of the company's assets, except with regard to subsidiaries;
- resolutions of the shareholders' meeting approving the decision to make private a public corporation in the case the requirements set forth in "—General" cease to be met;
- if a publicly-traded company ceases to be obligated to register its shares in the Securities Registry of the SVS, and an extraordinary shareholders' meeting agrees to de-register the shares and finalize its disclosure obligations mandated by the Corporation Law;
- if the controlling shareholder of a publicly-traded company reaches over 95% of the shares (in such case, the right must be exercised within 30 days of the date in which the threshold is reached, circumstance that must be communicated by means of a publication); and
- such other causes as may be established by the company's by-laws (no such additional resolutions currently are specified in our by-laws).

In addition, shareholders of publicly held corporations have the right to withdraw if a person acquires two-thirds or more of the outstanding shares of such corporation with the right to vote (except as a result of other shareholders not having subscribed and paid a capital increase) and does not make a tender offer for the remaining shares within thirty days after acquisition.

Under Article 69(bis) of the Chilean Corporation Law, the right to withdraw also is granted to shareholders (other than pension funds that administer private pension plans under the national pension law), under certain terms and conditions, if a company were to become controlled by the Chilean government, directly or through any of its agencies, and if two independent rating agencies downgrade the rating of its stock from first class because of certain actions specified in Article 69(bis) undertaken by the company or the Chilean government that affect negatively and substantially the earnings of the company. Shareholders must perfect their withdrawal rights by tendering their shares to the company within thirty days of the date of the publication of the new rating by two independent rating agencies. If the withdrawal right is exercised by a shareholder invoking Article 69(bis), the price paid to the dissenting shareholder shall be the weighted average of the sales price for the shares as reported on the stock exchanges on which the company's shares are quoted for the six-month period preceding the publication of the new rating by two independent rating agencies. If, as previously described, the SVS determines that the shares are not actively traded on a stock exchange, the price shall be the book value calculated as described above.

There is no legal precedent as to whether a shareholder that has voted both for and against a proposal (such as the depositary) may exercise withdrawal rights with respect to the shares voted against the proposal. As such, there is doubt as to whether holders of ADRs who have not surrendered their ADRs and withdrawn common shares on or before the fifth business day prior to the shareholder meeting will be able to exercise withdrawal rights either directly or through the depositary with respect to the shares represented by ADRs. Under the provisions of the deposit agreement the depositary will not exercise these withdrawal rights.

The circumstance indicated above regarding ownership in excess of 95% by the controlling shareholder creates not only a withdrawal right for the remaining minority shareholders, but as of January 1, 2010, it also creates a "squeeze out" right by the controlling shareholder with respect to those same shareholders (granting a call option by means of which the controlling shareholder may buy-out the existing ownership participations pursuant to the provisions of article 71 bis of the Corporation Law).

### Registration and Transfers

The *Depósito Central de Valores*, ("DCV"), acts as LATAM Airlines Group's registration agent. In the case of jointly owned common shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

### C. Material Contracts

#### *Boeing*

##### *Boeing 767-300 Fleet*

On May 9, 1997, we entered into the Aircraft General Terms Agreement with The Boeing Company ("AGTA"), applicable to all Boeing aircraft contracted for purchase from The Boeing Company.



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On January 30, 1998, we entered into Purchase Agreement No. 2126 with The Boeing Company (“Purchase Agreement No. 2126”) to acquire two Boeing 767-300 passenger aircraft.

On November 11, 2004, we entered into supplemental agreement No. 16 to the Purchase Agreement No. 2126 to acquire one additional Boeing 767-300 freighter aircraft and three Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$140,000,000.

On April 28, 2005, we entered into supplemental agreement No. 20 to the Purchase Agreement No. 2126 to acquire two additional Boeing 767-300 freighter aircraft and one Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$300,000,000.

On July 20, 2005, we entered into supplemental agreement No. 21 to the Purchase Agreement No. 2126 to acquire three Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$410,000,000.

On March 31, 2006, we entered into supplemental agreement No. 22 to the Purchase Agreement No. 2126 to acquire three Boeing 767-300 aircraft. Furthermore, we converted two Boeing 767-300 freighter aircraft to two Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$430,000,000.

On December 14, 2006, we entered into supplemental agreement No. 23 to the Purchase Agreement No. 2126 to acquire three additional Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$460,000,000.

On November 10, 2008, we entered into supplemental agreement No. 24 to the Purchase Agreement No. 2126 to acquire four additional Boeing 767-300 passenger aircraft and two purchase rights for Boeing 767-300 aircraft. Two of these aircraft were delivered in 2011, while the other two aircraft have a scheduled delivery date in 2012. The estimated gross value (at list prices) of these aircraft was US\$636 million.

On March 22, 2010, we entered into supplemental agreement No. 28 to the Purchase Agreement No. 2126, whereby we agreed to accelerate the delivery of ten 787-8 aircraft, substitute four aircraft from 787-916 to 787-816 and substitute three 767-316ER to 767-316F freighter aircraft. Moreover, on November 10, 2010, we entered into supplemental agreement No. 29 to the Purchase Agreement No. 2126, whereby we agreed to accelerate the delivery of three Aircraft and substitute those three aircraft from 767-316F to 767-316ER.

On February 15, 2011, we entered into supplemental agreement No.30 to the Purchase Agreement No.2126 to acquire three additional Boeing 767-300 passenger aircraft. Delivery is scheduled to take place in 2012. The estimated gross value (at list prices) of these aircraft was US\$510 million.

On May 10, 2011, we entered into supplemental agreement No.31 to the Purchase Agreement No.2126 to acquire five additional Boeing 767-300 passenger aircraft and four purchase rights for Boeing 767-300 passenger aircraft. Delivery is scheduled to take place in 2012. The estimated gross value (at list prices) of these aircraft was US\$870 million.

On December 22, 2011 we entered into supplemental agreement No.32 to the Purchase Agreement No.2126 to exercise two purchase options for two additional Boeing 767-300 passenger aircraft, while the remaining purchase options were deleted. Delivery is scheduled to take place in 2012. The estimated gross value (at list prices) of these aircraft was US\$340 million.

#### *Boeing 787-8/9 Fleet*

On October 29, 2007, we entered into Purchase Agreement No. 3256 with the Boeing Company (“Purchase Agreement No. 3256”) to acquire 18 Boeing 787-8 aircraft and eight Boeing 787-9 aircraft to be delivered between 2012 and 2016. This purchase agreement provides us with the option of purchasing fifteen additional aircraft to be delivered in 2017 and 2018. The estimated gross value (at list prices) of the Boeing aircraft for which we had firm commitments to take delivery under this contract is US\$3.2 billion.

On March 22, 2010, we entered into supplemental agreement No. 1 to the Purchase Agreement No. 3256 to advance the schedule delivery date of ten Boeing 787-8 aircraft and substitute four Boeing 787-9 aircraft into four Boeing 787-8 aircraft.

On July 8, 2010, we entered into supplemental agreement No. 2 to the Purchase Agreement No. 3256 to advance the schedule delivery date of two Boeing 787-8 aircraft.

On August 24, 2012, we entered into supplemental agreement No. 3 to the Purchase Agreement No. 3256 to replace two Boeing 787-8 aircraft with two Boeing 787-8 aircraft with a later delivery.

On September 16, 2013, we entered into a delay settlement agreement with respect to Purchase Agreement No. 3256, whereby we agreed to update delivery dates, settle consequences of the currently known delays and convert several future deliveries of B787-8 aircraft to B787-9 aircraft.



### *Boeing 777 Freighter Fleet*

On July 3, 2007, we entered into Purchase Agreement No. 3194 with the Boeing Company (“Purchase Agreement No. 3194”) to acquire two Boeing 777 freighter aircraft with schedule deliveries dates in 2011 and 2012. The estimated gross value (at list prices) of the Boeing aircraft for which we had firm commitments to take delivery under this contract was US\$545 million.

On March 22, 2010, we entered into letter agreement 6-1162-KSW-6454R2 to the Purchase Agreement No. 3194 to transfer two purchase rights from Purchase Agreement No. 2126 to Purchase Agreement No. 3194.

On November 2, 2010, we entered into supplemental agreement No. 2 to the Purchase Agreement No. 3194, to exercise one of the two options for a Boeing 777 freighter aircraft with schedule delivery date in 2012. The estimated gross value (at list prices) of this aircraft was US\$280 million.

On September 22, 2011, we entered into supplemental agreement No. 3 to the Purchase Agreement No. 3194 to advance the schedule delivery date of one firm Boeing 777 freighter aircraft during 2012.

On August 9, 2012, we entered into supplemental agreement No. 4 to the Purchase Agreement No. 3194 to reflect the configuration of the aircraft covered under such Purchase Agreement.

### *Airbus A320 Family Fleet*

On March 20, 1998, we entered into the Second A320-Family Purchase Agreement with Airbus S.A.S. (“Second A320-Family Purchase Agreement”) to acquire five Airbus 320 family aircraft.

On November 14, 2003, we entered into amendment No. 1 to the Second A320-Family Purchase Agreement to exercise three purchase rights for Airbus 319 aircraft, among other things.

On October 4, 2005, we entered into amendment No. 2 to the Second A320-Family Purchase Agreement to acquire twenty five additional Airbus 320 family aircraft and fifteen purchase rights for Airbus A320-Family aircraft.

On March 6, 2007, we entered into amendment No. 3 to the Second A320-Family Purchase Agreement to exercise fifteen purchase rights for fifteen Airbus A320-Family aircraft.

On December 23, 2009, we entered into amendment No. 5 to the Second A320-Family Purchase Agreement to acquire thirty additional Airbus A320-Family aircraft. The estimated gross value (at list prices) of these aircraft was US\$2.0 billion.

On May 10, 2010, we entered into amendment No. 6 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft and reschedule the scheduled delivery date of thirteen aircraft.

On May 19, 2010, we entered into amendment No. 7 to the Second A320-Family Purchase Agreement to reschedule the scheduled delivery date of three aircraft.

On September 23, 2010, we entered into amendment No. 8 to the Second A320-Family Purchase Agreement to convert the aircraft type of one aircraft and reschedule the scheduled delivery date of four aircraft.

On December 21, 2010, we entered into amendment No. 9 to the Second A320-Family Purchase Agreement to acquire fifty additional Airbus A320-Family aircraft. The estimated gross value (at list prices) of these aircraft was US\$2,600,000,000.

On June 10, 2011, we entered into amendment No. 10 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft, to select sharklets for some aircraft and to notify delivery dates for some aircraft.

On November 3, 2011, we entered into amendment No. 11 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft and reschedule the schedule delivery date of four aircraft.

On November 19, 2012, we entered into amendment No. 12 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft, identify certain Aircraft as Sharklet Installed Aircraft and others as Sharklet Capable Aircraft, as those are defined in such Purchase Agreement, and notify the scheduled delivery month for certain aircraft.

On August 19, 2013, we entered into amendment No. 13 to the Second A320-Family Purchase Agreement to convert several A320 aircraft to A321 aircraft and to reschedule the scheduled delivery dates of several aircraft.



On 31 March, 2014, we entered into amendment No. 14 to the Second A320-Family Purchase Agreement covering the rescheduling of the scheduled delivery date of one Aircraft.

On May 16, 2014, we entered into amendment No. 15 to the Second A320 Family Purchase Agreement covering the rescheduling of the scheduled delivery month of certain Aircraft.

On July 15, 2014, we entered into amendment No. 16 to the Second A320 Family Purchase Agreement July 15th 2014 covering substitution of certain Aircraft.

On October 30, 2014, we entered into a novation agreement covering the novation of the original TAM A320/A330 Family Purchase Agreement from TAM to LATAM.

On December 11, 2014, we entered into amendment No. 17 to the Second A320 Family Purchase Agreement covering the substitution of certain Aircraft.

Between April and August 2011, we entered into Buyback Agreements No. 3001, 3030, 3062, 3214 and 3216 with Airbus Financial Services for the sale of five A318 aircraft.

Between August 2012 and January 2013, we entered into Buyback Agreements No. 3371, 3390, 3438, 3469 and 3509 with Airbus Financial Services for the sale of five A318 aircraft.

#### *Airbus A320NEO Family Fleet*

On June 22, 2011, we entered into A320 NEO Purchase Agreement (“A320 NEO Purchase Agreement”) to acquire twenty Airbus 320 NEO family aircraft with schedule delivery dates in 2017 and 2018. The estimated gross value (at list prices) of these aircraft is US\$1.7 billion.

On February 27, 2014, we entered into amendment No. 1 to the A320 NEO Purchase Agreement covering the advancement of the date by which the LATAM selects the propulsion systems.

On July 15, 2014, we entered into amendment No. 2 to the A320 NEO Purchase Agreement covering the order of incremental A320 NEO Aircraft.

On December 11, 2014, we entered into amendment No. 3 the A320 NEO Purchase Agreement covering the order of incremental A320 NEO Aircraft and A321 NEO Aircraft.

#### *Aercap Holdings N.V.*

On May 28, 2013, we entered into a framework deed with Aercap Holdings N.V. for the sale and leaseback of several A330-200 aircraft already in fleet and several new aircraft to be received from the manufacturer including A350-00, B787-8 and B787-9 aircraft. The estimated gross value (at list prices) of these aircraft is US\$3.0 billion.

#### *Aircastle Holding Corporation Limited*

On February 21, 2014, we entered into a framework deed with Aircastle Holding Corporation Limited for the lease of four B777-300ER already in fleet. The four aircrafts were manufactured in 2012 and the estimated market value (at list prices) of these aircraft is US\$580 million. The average term of the leases is 60 months.

#### *GE Commercial Aviation*

On April 30, 2007, we also entered into an Aircraft Lease Common Terms Agreement with GE Commercial Aviation Services Limited and two Aircraft Lease Agreements with Wells Fargo Bank Northwest N.A., as owner trustee, for the lease of two Boeing B777-200LRF aircraft. These aircraft were delivered in 2009 and the leases shall remain in place for a term of 96 months.

#### *GE Engine Services LLC*

On June 12, 2014, we (and TAM Linhas Aereas S.A) entered into engine services agreement with GE Engine Services, LLC and GE Celma Ltda. for the provision of maintenance services of CF6-80C2B6F engines (which powers our B767 fleet) during 200 shop visits or 10 years, whichever occur first.



*CFM International*

On December 17, 2010, we entered into General Terms Agreement No. CFM-1-2377460475 (the "GTA") and Letter Agreement No. 1 to GTA with CFM International, Inc. ("CFM") for the sale and support by CFM of CFM56-5B engines to power 70 A320





family aircraft and up to 14 CFM56-5B spare engines. On the same date, we entered into a Rate Per Flight Hour Engine Shop Maintenance Services Agreement with CFM for the provision by CFM of maintenance services for the abovementioned installed and spare engines.

On December 31, 2014, we entered Letter Agreement No. 2 to GTA with CFM International, Inc. (“CFM”) for the sale and support by CFM of CFM56-5B engines to power 20 A320 family aircraft and 1 spare engine.

#### *PW1100G-JM Engine Maintenance Agreement*

In February 2014, we entered into an engine support and maintenance agreement with United Technologies International Corporation, Pratt & Whitney Division (“PW”) for the sale, support and maintenance by PW of PW1100G-JM engines to power 42 A320NEO family aircraft and 9 spare engines. It is also a rate per engine flight hour contract agreement, which includes cost control mechanisms for LATAM.

#### *Sabre Contract*

In November 2009, we entered into a master agreement with Sabre Inc., pursuant to which LATAM was granted with access and use of certain reservation systems and other Sabre software solutions. This agreement will remain in force for five years or until the expiration of all Work Orders to the agreement. In addition, LATAM has distribution agreements in place with Sabre as well as with other distribution providers.

#### *TAM Material Contracts*

##### *A320/A330 Family Purchase Agreements*

In November 2006, TAM entered into a purchase agreement with Airbus S.A.S. for the purchase of 31 A320-Family Aircraft and 6 A330-200 aircraft, with deliveries between 2007 and 2010.

In January 2008, TAM entered into a new purchase agreement for 20 A320-Family Aircraft and 4 A330-200 aircraft, with deliveries between 2007 and 2014.

In July 2010, TAM entered a purchase agreement for 20 A320-Family Aircraft with deliveries between 2014 and 2015.

In October 2011, TAM entered into a new purchase agreement for 10 A320-Family Aircraft with deliveries between 2016 and 2017, plus 22 A320 NEO Family Aircraft with deliveries between 2016 and 2018.

In January 2012, TAM entered into Amendment No. 12 to the A320/A330 Purchase Agreement to reschedule the delivery dates of certain aircraft.

In November 2012, TAM entered into Amendment No. 13 to the A320/A330 Purchase Agreement to convert the aircraft type of A320 family aircraft.

In December 2012, TAM entered into Amendment No. 14 to the A320/A330 Purchase Agreement to convert the aircraft type of an A320 family aircraft and reschedule the delivery date of such aircraft.

In February 2013, TAM entered into Amendment No. 15 to the A320/A330 Purchase Agreement to make some changes to the scheduled delivery month of certain A320 Family Aircraft.

In February 2013, TAM entered into Amendment No. 16 to the A320/A330 Purchase Agreement to make a change to the aircraft type of certain A320 Family Aircraft, to the scheduled delivery month/quarter of certain A320 Family Aircraft and to make certain changes to the dates by which TAM will select the propulsion systems and NEO propulsion systems for certain Aircraft.

In August 2013, TAM entered into Amendment No. 17 to the A320/A330 Purchase Agreement to make a change to the scheduled delivery month of a certain A320 Family Aircraft and to make the selection of the propulsion systems and NEO propulsion systems for certain Aircraft.

In December 2014, TAM entered into Amendment No. 19 to the A320/A330 Purchase Agreement to reschedule and substitute certain A321 Aircraft.



*A350 Family Purchase Agreement*

In January 2008, TAM entered into a purchase agreement with Airbus S.A.S. for the purchase of 22 A350 aircraft.

In July 2010, TAM entered into amendment No. 1 to the A350 purchase agreement to purchase five additional A350 XWB.



In July 2014, TAM entered into amendment No. 2 to the A350 purchase agreement to reschedule the delivery of certain A350-900XWB and to amend certain provisions to reflect the latest aircraft specification.

In July 2014, TAM, LATAM and Airbus entered into a novation agreement novating the A350 purchase agreement from TAM to LATAM.

In October 2014, we entered into amendment No. 3 to the A350 purchase agreement to reschedule the schedule delivery month of a certain A350-900XWB aircraft.

#### *Boeing 777 Purchase Agreement*

In February 2007, TAM entered into a purchase agreement with Boeing for the purchase of four Boeing 777-32WER.

In August 2007, TAM entered into supplemental agreement No. 1 to the 777 Purchase Agreement to exercise four option aircraft and to define certain aircraft configuration.

In March 2008, TAM entered into supplemental agreement No. 2 to the 777 Purchase Agreement to document its agreement on the descriptions and pricing of some options and master changes related to certain aircraft.

In December 2008, TAM entered into supplemental agreement No. 3 to the 777 Purchase Agreement for the purchase of 2 incremental 777 aircraft.

In July 2010, TAM entered into supplemental agreement No. 5 to the 777 Purchase Agreement to reschedule the delivery of certain aircraft.

In February 2011, TAM entered into supplemental agreement No. 6 to the 777 Purchase Agreement for the purchase of 2 incremental 777 aircraft.

In May 2014, TAM entered into supplemental agreement No. 7 to the 777 purchase agreement to substitute two 777-300ER Aircraft originally scheduled for delivery in 2014 for two 777-F aircraft for scheduled delivery in 2017.

#### *CFM56-5B Engine Maintenance Contract*

In March 2006, TAM entered into a services agreement with GE Celma, a Brazilian subsidiary of General Electric Engine Services division, for the maintenance by GE Celma of CFM56-5B engines to power 25 A320 family aircraft and 4 spare engines.

In March 2007 TAM entered into the Amendment 1 to the abovementioned services agreement with GE Celma, extending the maintenance services to the engines powering additional 16 A320 family aircraft and 2 spare engines.

#### *V2500-A5 Engine Maintenance Agreement*

In 2000, TAM entered into an engine maintenance contract with MTU Motoren-und Turbinen-Union München GmbH, or MTU, pursuant to which MTU agreed to provide certain maintenance, refurbishment, repair and modification services with respect to approximately 105 TAY650-15 aircraft engines. This contract is complemented by a novation and amendment agreement between us and Rolls-Royce Brazil Ltda. pursuant to which Rolls-Royce Brazil Ltda., replaced MTU as contract counterparty. This agreement terminates on June 30, 2015.

#### *PW4168 Engine Maintenance Agreement*

In June 2007, TAM Linhas Aéreas S.A. entered into an purchase and support agreement engine sale, support and maintenance services agreement with Pratt & Whitney covering 20 engines contained in TAM's A330-200 fleet 6 aircraft plus 2 spares. It is also a rate per engine flight hour contract agreement, which includes cost control mechanisms for TAM. Amendment 3 July 2010 10 aircraft y 4 spares.



*Sabre Contract*

In October 2003, TAM entered into a general services agreement with Sabre Travel International Limited, pursuant to which TAM was granted a license (relating to the provision of maintenance services) for electronic reservation technology and database backup. The term of the agreement was tacitly and automatically extended to cover all Work Orders currently in force under the agreement and will expire at the same time with the expiration of the last Work Order. In addition, TAM has distribution agreements in place with Sabre as well as with other distribution providers.

*Amadeus Contract*

In July 2009, TAM entered into a general services agreement with Amadeus IT Group S.A., pursuant to which TAM was granted a license (relating to the provision of maintenance services) for electronic reservation technology and database backup. This agreement will remain in force for ten years, unless cancelled early by either party. In addition, TAM has distribution agreements in place with Amadeus as well as with other distribution providers.

**D. Exchange Controls****Foreign Investment and Exchange Controls in Chile**

The Central Bank of Chile is responsible, among other things, for monetary policies and exchange controls in Chile. Equity investments, including investments in shares of stock by persons who are non-Chilean residents, have been generally subject in the past to various exchange control regulations restricting the repatriation of their investments and the earnings thereon.

Article 47 of the Central Bank Act and former Chapter XXVI of the Central Bank Foreign Exchange Regulations regulated the foreign exchange aspects of the issuance of ADSs by a Chilean company until April 2001. According to former Chapter XXVI, the Central Bank of Chile and the depository had to enter into an agreement in order to gain access to the formal exchange market. The issuers of the shares underlying the ADSs and the custodian could also be parties to these agreements.

On April 16, 2001, the Central Bank of Chile agreed that, effective April 19, 2001:

- prior foreign exchange restrictions would be eliminated: and
- a new Compendium of Foreign Exchange Regulations (*Compendio de Normas de Cambios Internacionales*) would be applied.

The main objective of these amendments, as declared by the Central Bank of Chile, is to facilitate movement of capital in and out of Chile and to encourage foreign investment.

In connection with the change in policy, the Central Bank of Chile eliminated the following restrictions:

- a reserve requirement with the Central Bank of Chile for a period of one year (this mandatory reserve was imposed on foreign loans and funds brought into Chile to purchase shares other than those acquired in the establishment of a new company or in the capital increase of the issuing company; the reserve requirement was gradually decreased from 30% of the proposed investment to 0%);
- the requirement of prior approval by the Central Bank of Chile for certain operations;
- mandatory return of foreign currency to Chile; and
- mandatory conversion of foreign currency into Chilean pesos.

Under the new regulations, only the following limitations apply to these operations:

- the Central Bank of Chile must be provided with information related to certain operations; and
- certain operations must be conducted with the Formal Exchange Market.

The Central Bank of Chile also eliminated Chapter XXVI of the Compendium of Foreign Exchange Regulations, which regulated the establishment of an ADR facility by a Chilean company. Pursuant to the new rules, it is no longer necessary to seek the Central Bank of Chile's prior approval in order to establish an ADR facility nor to enter into a foreign investment contract with the Central Bank of Chile. The establishment of an ADR facility is now regarded as an ordinary foreign investment, and simply requires that the Central Bank of Chile be informed of the transaction pursuant to Chapter XIV of the amended Compendium of Foreign Exchange Regulations and that the foreign currency transactions related thereby be conducted through the Formal Exchange Market.

However, all contracts executed under the provisions of former Chapter XXVI (including the foreign investment contract among LATAM Airlines Group, the Central Bank of Chile and the ADS depository, or the "Foreign Investment Contract"), remained in full force and effect and continued to be governed by the provisions, and continued to be subject to the restrictions, set forth in former Chapter XXVI at the time of its abrogation. Our Foreign Investment Contract guaranteed ADS investors access to the Formal Exchange Market to convert amounts from Chilean pesos into U.S. dollars and repatriate amounts received with respect to deposited common shares or common shares withdrawn from deposit or surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying common shares and any rights arising from them).



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On May 10, 2007, the Board of the Central Bank of Chile resolved to interpret the regulations regarding the former Chapter XXVI in connection with the access granted to the Formal Exchange Market. These regulations allowed entities that carry out capital increases by means of the issuance of cash shares before August 31, 2007 to apply the aforementioned regulation to their capital increases, but only once and only if those shares can be fully subscribed and paid by August 31, 2008, among other conditions. Consequently, capital increases carried out after August 31, 2007 will have no guaranteed access to the Formal Exchange Market.



On October 17, 2012, the Central Bank of Chile, the depositary and LATAM Airlines Group entered into a termination agreement in respect of LATAM's existing foreign investment contract. ADR holders were notified about this termination in accordance with Section 16 of the Deposit Agreement. Upon termination of the foreign investment contract, holders of ADSs and the depositary no longer have guaranteed access to the Formal Exchange Market. Currently, the ADS facility is governed by Chapter XIV of the Compendium on "Regulations applicable to Credits, Deposits, Investments and Capital Contributions from Abroad." According to Chapter XIV, the establishment or maintenance of an ADS facility is regarded as an ordinary foreign investment, and it is not necessary to seek the Central Bank of Chile's prior approval in order to establish an ADS facility. The establishment or maintenance of an ADS facility only requires that the Central Bank of Chile be informed of the transaction, and that the foreign currency transactions related thereby be conducted through the Formal Exchange Market.

### **Investment in Our Shares and ADRs after the business combination with TAM**

As a result of the combination with TAM, investments made in shares of our common stock are subject to the following requirements:

- any foreign investor acquiring shares of our common stock who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market;
- any foreign investor acquiring shares of our common stock to be converted into ADSs or deposited into an ADR program who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market;
- in both cases, the entity of the Formal Exchange Market through which the funds are brought into Chile must report such investment to the Central Bank of Chile;
- all remittances of funds from Chile to the foreign investor upon the sale of the acquired shares of our common stock or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market;
- all remittances of funds from Chile to the foreign investor upon the sale of shares underlying ADSs or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market; and
- all remittances of funds made to the foreign investor must be reported to the Central Bank of Chile by the intervening entity of the Formal Exchange Market.

When funds are brought into Chile for a purpose other than to acquire shares to convert them into ADSs or deposit them into an ADR program and subsequently such funds are used to acquire shares to be converted into ADSs or deposited into an ADR program such investment must be reported to the Central Bank of Chile by the custodian within 10 days following the end of each month within which the custodian is obligated to deliver periodic reports to the Central Bank of Chile.

When funds to acquire shares of our common stock or to acquire shares to convert them into ADSs or deposit them into an ADR program are received by us abroad (i.e., outside of Chile), such investment must be reported to the Central Bank of Chile directly by the foreign investor or by an entity participating in the Formal Exchange Market within ten days following the end of the month in which the investment was made.

All payments in foreign currency in connection with our shares of common stock or ADSs made from Chile through the Formal Exchange Market must be reported to the Central Bank of Chile by the entity participating in the transaction. In the event there are payments made outside of Chile, the foreign investor must provide the relevant information to the Central Bank of Chile directly or through an entity of the Formal Exchange Market within the first ten calendar days of the month following the date on which the payment was made.

There can be no assurance that additional Chilean restrictions applicable to the holders of ADSs, the disposition of shares of our common shares underlying ADSs or the conversion or repatriation of the proceeds from such disposition will not be imposed in the future, nor can we assess the duration or impact of such restriction if imposed.

This summary does not purport to be complete and is qualified by reference to Chapter XIV of the Central Bank of Chile's Foreign Exchange Regulations, a copy of which is available in Spanish and English versions at the Central Bank's website at [www.bcentral.cl](http://www.bcentral.cl).

### **Voting Rights**

Holders of our ADSs, which represent common shares, may instruct the depositary to vote the shares underlying their ADRs. If we ask holders for instructions, the depositary will notify such holders of the upcoming vote and arrange to deliver our voting materials to such holders. The materials will describe the matters to be voted on and explain how holders may instruct the depositary



to vote the shares or other deposited securities underlying their ADSs as they direct by a specified date. For instructions to be valid, the depositary must receive them on or before the date specified as "Vote Cut-Off Date." The depositary will try, as far as practical, subject to Chilean law and the provisions of our by-laws, to vote or to have its agents vote the shares or other deposited securities as holders instruct. Otherwise, holders will not be able to exercise their right to vote unless they withdraw the shares. However, holders may not know about the meeting far enough in advance to withdraw the shares. We will use our best efforts to request that the depositary notify holders of upcoming votes and ask for their instructions.

If the depositary does not receive voting instructions from a holder by the specified date, it will consider such holder to have authorized and directed it to give a discretionary proxy to a person designated by our board of directors to vote the number of deposited securities represented by such holder's ADSs. The depositary will give a discretionary proxy in those circumstances to vote on all questions to be voted upon unless we notify the depositary that:

- we do not wish to receive a discretionary proxy;
- we think there is substantial shareholder opposition to the particular question; or
- we think the particular question would have an adverse impact on our shareholders.

The depositary will only vote or attempt to vote as such holder instructs or as described above.

We cannot assure holders that they receive the voting materials in time to ensure that they can instruct the depositary to vote their shares. This means that holders may not be able to exercise their right to vote and there may be nothing they can do if their shares are not voted as they requested.

## Exchange Rates

Prior to 1989, Chilean law permitted the purchase and sale of foreign exchange only in those cases explicitly authorized by the Central Bank of Chile. The Central Bank Act liberalized the rules that govern the ability to buy and sell foreign currency. The Central Bank Act empowers the Central Bank of Chile to determine that certain purchases and sales of foreign currency specified by law must be carried out exclusively in the Formal Exchange Market, which is made up of the banks and other entities authorized by the Central Bank of Chile. All payments and distributions with respect to the ADSs must be conducted exclusively in the Formal Exchange Market.

For purposes of the operation of the Formal Exchange Market, the Central Bank of Chile sets a reference exchange rate (*dólar acuerdo*). The Central Bank of Chile resets the reference exchange rate monthly, taking internal and external inflation into account, and adjusts the reference exchange rate daily to reflect variations in parities between the Chilean peso, the U.S. dollar, the Japanese yen and the European euro.

The observed exchange rate (*dólar observado*) is the average exchange rate at which transactions were actually carried out in the Formal Exchange Market on a particular day, as certified by the Central Bank of Chile on the next banking day.

Prior to September 3, 1999, the Central Bank of Chile was authorized to buy or sell dollars in the Formal Exchange Market to maintain the observed exchange rate within a specified range above or below the reference exchange rate. On September 3, 1999, the Central Bank of Chile eliminated the exchange band. As a result, the Central Bank of Chile may buy and sell foreign exchange in the Formal Exchange Market in order to maintain the observed exchange rate at a level the Central Bank of Chile determines.

Purchases and sales of foreign exchange may be effected outside the Formal Exchange Market through the Informal Exchange Market (*Mercado Cambiario Informal*) established by the Central Bank in 1990. There are no limits on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the observed exchange rate.

Although our results of operations have not been significantly affected by fluctuations in the exchange rates between the peso and the U.S. dollar because our functional currency is the U.S. dollar, we are exposed to foreign exchange losses and gains due to exchange rate fluctuations. Even though the majority of our revenues are denominated in or pegged to the U.S. dollar, the Chilean government's economic policies affecting foreign exchange and future fluctuations in the value of the peso against the U.S. dollar could adversely affect our results of operations and an investor's return on an investment in ADSs.

## E. Taxation

### Chilean Tax

The following discussion relates to Chilean income tax laws presently in force, including Ruling No. 324 of January 29, 1990 of the Chilean Internal Revenue Service ("Chilean IRS") and other applicable regulations and rulings, all of which are subject to change. The discussion summarizes the principal Chilean income tax consequences of an investment in the ADSs or common shares by a person who is neither domiciled in, nor a resident of, Chile or by a legal entity that is not organized under the laws of Chile and does not have a branch or a permanent establishment located in Chile (such an individual or entity is referred to herein as a Foreign





Holder). For purposes of Chilean tax law, an individual holder is a resident of Chile if such person has resided in Chile for more than six consecutive months in one calendar year or for a total of six months, whether consecutive or not, in two consecutive tax years. In addition, an individual is considered domiciled in Chile in case he or she resides in Chile with the actual or presumptive intent of staying in the country. The discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor’s particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may only be amended by another statute. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change these rulings, regulations and interpretations prospectively. On February 4, 2010, representatives of the governments of the United States and Chile signed an income tax treaty. The new treaty will have to be approved by the U.S. Senate.

On September 29, 2014, Chile enacted Law No. 20,780 (the “Tax Reform Act”). The Tax Reform Act introduced changes to the corporate tax rate, mandating a gradual increase of the rate from 20% to 25% or 27% in certain cases, the rules regarding minimum capitalization, and the taxation of Chilean investments abroad (the controlled-foreign-corporation rules), among others. The new rules are set to come into effect gradually, with the implementation process having commenced on October 1, 2014 and set to be completed by January 1, 2018.

*Cash Dividends and Other Distributions*

Cash dividends we pay with respect to the ADSs or common shares held by a Foreign Holder will be subject to a 35% Chilean withholding tax, which we withhold and pay over to the Chilean tax authorities and which we refer to as the Withholding Tax. A credit against the Withholding Tax is available based on the level of corporate income tax we actually paid on the income to be distributed (referred to herein as the First Category Tax); however, this credit does not reduce the Withholding Tax on a one-for-one basis because it also increases the base on which the Withholding Tax is imposed. If we register net income but taxable losses, no credit against the Withholding Tax will be available. In addition, if we distribute less than all of our distributable income, the credit for First Category Tax we pay is proportionately reduced. In the year 2014, Law 20.780 modified the provisional rate of the first category tax from 20% to 21%.

In general, the example below illustrates the effective Withholding Tax burden on a cash dividend received by a Foreign Holder, assuming a Withholding Tax rate of 35%, a First Category Tax rate of 21%, and a distribution of 30% of the consolidated net income of the Company after payment of the First Category Tax:

|  |         |
|--|---------|
| The Company’s taxable income   | 100.00  |
| First Category Tax (21% of Ch\$100)  | (21.00) |
| Net distributable income   | 79.00   |
| Dividend distributed (30% of net distributable income)                                       | 23.70   |
| First category increase  | 6.30    |
| Withholding Tax (35% of the sum of Ch\$23.70 dividend plus Ch\$6.30 First Category Tax paid) | (10.50) |
| Credit for 21% of First Category Tax   | 6.30    |
| Net tax withheld   | (4.20)  |
| Net dividend received  | 19.50   |
| Effective dividend withholding rate  | 17,72%  |

In general, the effective dividend Withholding Tax rate, after giving effect to the credit for the First Category Tax, can be calculated using the following formula:

$$\text{(Withholding Tax rate)} - \text{(First Category Tax effective rate)} \div \text{(First Category Tax effective rate)}$$

Under Chilean income tax law, dividends generally are assumed to have been paid out of our oldest retained profits for purposes of determining the level of First Category Tax that we paid. The effective rate of Withholding Tax to be imposed on dividends we pay will vary depending upon the amount of First Category Tax we paid (if any) on the earnings to which the dividends are attributed, according to the Company’s Taxable Profit Fund. The Effective Withholding Tax rate for dividends attributed to earnings from 1991 until 2001, for which the First Category Tax rate was 15%, which results in an effective rate of 23.5%. For 2002, the First Category Tax rate was 16.0%, which results in an effective rate of 22.62%. In 2003, the First Category Tax rate was 16.5%, which results in an effective rate of 22.16%, from 2004 until 2010, the First Category Tax rate was 17%, which results in an effective rate of Withholding



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Tax of 21.69%. In 2011 the First category Tax rate was 20%, which results in an effective rate of Withholding Tax of 18.75%. In 2012 the First category Tax rate was 20%, which results in an effective rate of Withholding Tax of 18.75%. In 2013 the First category Tax rate was 20%, which results in an effective rate of Withholding Tax of 18.75%. In 2014 the First category Tax rate was 21%, which results in an effective rate of Withholding Tax of 17.72%.

For dividends attributable to our profits during years when the First Category Tax was 10% (before 1991), the effective rate will be 27.8%. However, whether the First Category Tax is 10%, 15%, 16%, 16.5%, 17% or 20% the effective overall combined tax rate imposed on our distributed profits will be 35%. In the event that profits from previous years are not sufficient to cover a particular dividend, and the dividend is attributable to the current year, we will generally withhold tax from the dividend at the full 35% rate. If as of December 31 of the year in which the dividend is paid, the withholding is determined to be excessive taking into account First Category Tax, holders may file for a refund.

Dividend distributions made in property would be subject to the same Chilean tax rules as cash dividends based on the fair market value of such property. Stock dividends and the distribution of preemptive rights are not subject to Chilean taxation.

### Capital Gains

Gain from the sale or other disposition by a Foreign Holder of ADRs evidencing ADSs outside Chile will not be subject to Chilean taxation. The deposit and withdrawal of common shares in exchange for ADRs will not be subject to any Chilean taxes.

Gain recognized on a sale or disposition of common shares (as distinguished from sales or exchanges of ADRs evidencing ADSs representing such common shares) may be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter) if:

- the Foreign Holder has held the common shares for less than one year since exchanging ADSs for the Shares;
- the Foreign Holder acquired and disposed of the common shares in the ordinary course of its business or as a habitual trader of shares; or
- the Foreign Holder and the purchaser of the common shares are “related parties” or has an interest in the latter within the meaning of Article 17, Number 8, of the Chilean Income Tax Law.

In all other cases, gain on the disposition of common shares will be subject only to a flat capital gains tax which is assessed at the same rate as the First Category Tax as sole income tax 21% in 2014, ) and no withholding tax will apply. The sale of shares of common stock by a Foreign Holder to an individual or entity resident or domiciled in Chile is subject to a provisional withholding. Such a provisional withholding will be equal to (i) the difference between Withholding Tax rate and First Category Tax rate of the total (sale price) amount, without any deduction, paid to, credited to, account for, put at the disposal of, or corresponding to, the Foreign Holder if the transaction is subject to the First Category Tax too. Unless the gain subject to taxation can be determined, case in which the withholding is equal to 35%. The Foreign Holder would be entitled to request a tax refund for any amounts withheld in excess of the taxes actually due, in April of the following year upon filing its corresponding tax return. Gain recognized in the transfer of common shares that have a high presence in the stock exchange, however, is not subject to capital gains tax in Chile, provided that the common shares are transferred in a local stock exchange, in other authorized stock exchanges or within the process of a public tender of common shares governed by the Securities Market Law.

Chile’s Internal Revenue Service Ruling N°224 (issued on January 30, 2008) confirmed that capital gains stemming from the sale of shares with high stock-market presence acquired through the exchange of American Depositary Receipts (ADRs) for shares is not subject to capital gains tax in Chile. Such exemption is applicable provided that the purchase of such ADR certificates has been made at stock exchanges duly authorized by SVS (which includes the New York Stock Exchange).

The common shares must also have been acquired either in a stock exchange, within the process of a public tender of common shares governed by the Securities Market Law, in an initial public offer of common shares resulting from the formation of a corporation or a capital increase of the same, or in an exchange of convertible bonds. Shares are considered to have a high presence in the stock exchange when they:

- are registered in the Securities Registry;
- are registered in a Chilean Stock exchange; and
- have an adjusted presence equal to or above 25%.

To calculate the adjusted presence of a particular share, the aforementioned regulation first requires a determination of the number of days in which the operations regarding the stock exceeded, in Chilean pesos, the equivalent of 1,000 UF (US\$40,588 as of December 31, 2014) within the previous 180 business days of the stock market. That number must then be divided by 180, multiplied by 100, and expressed in a percentage value. This tax regime does not apply if the transaction involves an amount of shares that would allow the acquirer to take control of the publicly traded corporation, in which case the ordinary tax regime referred to in the previous paragraph will apply, unless the transfer is part of a tender offer governed by the Securities Market Law or the transfer is done on a Chilean stock exchange, without substantially exceeding the market price.



Capital gains obtained in the sale of shares that are publicly traded and have a high presence in a stock exchange are also exempt from capital gains tax in Chile when the sale is made by “foreign institutional investors” such as mutual funds and pension funds, provided that the sale is made in a stock exchange or in accordance with the provisions of the Securities Market Law, or in any other form authorized by the SVS. To qualify as a foreign institutional investor, an entity must be formed outside of Chile, not have a domicile in Chile, and must be at least one of the following:

- a fund that offers its common shares or quotas publicly in a country with investment grade public debt, according to a classification performed by an international risk classification entity registered with the SVS;
- a fund registered with a regulatory agency or authority from a country with investment grade public debt, according to a classification performed by an international risk classification entity registered with the SVS, provided that its investments in Chile constitute less than 30% of the share value of the fund, including deeds issued abroad representing Chilean securities, such as ADRs of Chilean companies;
- a fund whose investments in Chile represent less than 30% of the share value of the fund, including deeds issued abroad representing Chilean securities, such as ADRs of Chilean companies, provided that not more than 10% of the share value of the fund is directly or indirectly owned by Chilean residents;
- a pension fund that is formed exclusively by natural persons that receive pensions out of an accumulated capital in the fund;
- a Foreign Capital Investment Fund, as defined in Law No. 18,657, in which case all quota holders shall be Chilean residents or domestic institutional investors; or
- any other foreign institutional investor that complies with the requirements set forth in general regulations for each category of investor or prior information from the SVS and the Chilean IRS.

The foreign institutional investor must not directly or indirectly participate in the control of the corporations issuing the shares it invests in, nor possess or participate in 10% or more of the capital or the profits of such corporations.

Another requirement for the exemption is that the foreign institutional investor must execute a written contract with a bank or a stock broker incorporated in Chile. In this contract, the bank or stock broker must undertake to execute purchase and sale orders, verify the applicability of the tax exemption or tax withholding and inform the Chilean IRS of the investors it works with and the transactions it performs. Finally, the foreign institutional investor must register with the Chilean IRS by means of a sworn statement issued by such bank or stock broker.

The tax basis of common shares received in exchange for ADRs will be the acquisition value of the common shares on the date of exchange duly adjusted for local inflation. The valuation procedure set forth in the deposit agreement, which values common shares which are being exchanged at the highest price at which they trade on the SSE on the date of the exchange, will determine the acquisition value for this purpose. Consequently, the surrender of ADRs for common shares and the immediate sale of the common shares for the value established under the Deposit Agreement will not generate a capital gain subject to taxation in Chile, provided that the sale of the common shares is made on the same date on which the exchange of ADRs for common shares is recorded, or if the price of the common shares at the exchange date, as determined above, is higher than the price at which the common shares are sold.

The exercise of preemptive rights relating to the common shares will not be subject to Chilean taxation. Any gain on the sale of preemptive rights relating to the common shares will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

*Other Chilean Taxes*

There are no Chilean inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by gift of the common shares by a Foreign Holder. There are no Chilean stamp, issue, registration or similar taxes or duties payable by Foreign Holders of ADSs or common shares.

*Withholding Tax Certificates*

Upon request, we will provide to Foreign Holders appropriate documentation evidencing the payment of the Withholding Tax (net of the applicable First Category Tax).



## United States Federal Income Tax Considerations

This section describes the material United States federal income tax consequences to a U.S. holder (as defined below) of owning common shares or ADSs. It applies to you only if you hold your common shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds common shares or ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells common shares or ADSs as part of a wash sale for tax purposes, or
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty in effect between the United States and the Republic of Chile. In addition, this section is based in part upon the representations of the Depository and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the common shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the common shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the common shares or ADSs.

You are a U.S. holder if you are a beneficial owner of common shares or ADSs and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

*You should consult your own tax advisor regarding the United States federal, state and local and the Chilean and other tax consequences of owning and disposing of common shares and ADSs in your particular circumstances.*

### ADSs

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the common shares represented by those ADRs. Exchanges of common shares for ADRs, and ADRs for common shares, generally will not be subject to United States federal income tax.

### Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company ("PFIC") rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation.

If you are a noncorporate U.S. holder, dividends paid on the ADSs that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains if you hold the ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid on the ADSs will be treated as qualified dividend income if:

- the ADSs are readily tradable on an established securities market in the United States; and
- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC.



The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Accordingly, we expect that dividends we pay with respect to the ADSs will be qualified dividend income. Because our common shares are not expected to be listed on any United States securities market, it is unclear whether dividends we pay with respect to the common shares will also be qualified dividend income. If dividends we pay with respect to our common shares are not qualified dividend income, then the U.S. dollar amount of such dividends received by a U.S. holder (including dividends received by a noncorporate U.S. holder) will be subject to taxation at ordinary income tax rates.

You must include any Chilean tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of common shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Chilean pesos payments made, determined at the spot Chilean pesos/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the common shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to generally applicable limitations and conditions under the Internal Revenue Code, Chilean Withholding Tax withheld and paid over to the Chilean tax authorities (after taking into account the credit for the First Category Tax, when it is available) will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to you under Chilean law, as is the case if the amount of Chilean Withholding Tax initially withheld from a dividend is determined to be excessive as described above under “—Taxation—Chilean Tax—Cash Dividends and Other Distributions,” the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability.

Dividends will generally be income from sources outside the United States and will, depending on your circumstances, be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to you.

#### *Taxation of Capital Gains*

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your common shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your common shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Consequently, you may not be able to use the foreign tax credit arising from any Chilean tax imposed on the disposition of common shares unless such credit can be applied against tax due on other income treated as derived from foreign sources in the appropriate limitation category.

#### *PFIC Rules*

We believe that common shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, unless you elect to be taxed annually on a mark-to-market basis with respect to your common shares or ADSs, gain realized on the sale or other disposition of your common shares or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, you would be treated as if you had realized such gain and certain “excess distributions” ratably over your holding period for the common shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your common shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your common shares or ADSs. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

#### **F. Dividends and Paying Agents**

Not applicable.



**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We are subject to the information requirements of the Exchange Act, as amended. In accordance with these requirements, we file reports, including annual reports on Form 20-F and other information with the SEC. These materials, including this annual report and the exhibits hereto, may be inspected and copied at the SEC’s public reference rooms in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. In addition, some of our SEC filings, including those filed on and after February 19, 2002, are also available to the public through the SEC’s website at www.sec.gov.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we furnish our shareholders with annual reports containing financial statements audited by our independent auditors and make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We file such quarterly reports with the SEC within two months of each quarter of our fiscal year, and we file annual reports on Form 20-F within the time period required by the SEC, which is currently six months from December 31, the end of our fiscal year.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK General**

Given the nature of its business, LATAM is exposed mainly to three types of market risk:

- Fuel price fluctuations;
- Foreign exchange fluctuations; and
- Interest rate fluctuations.

Management assesses the level of our exposure to these risks periodically to determine the extent to which we should hedge against them and the most effective mechanisms to implement the hedge. LATAM purchases derivative instruments in foreign markets to offset market risk exposure, typically utilizing a mix of financial and commodity derivatives. LATAM does not enter into or hold derivative contracts for trading purposes.

**Risk of Fluctuations in Fuel Prices**

Jet fuel price fluctuations are largely dependent on supply and demand for crude oil, OPEC decisions, refinery capacities, stock levels of crude oil and geopolitical factors.

Individually, LAN and TAM fuel consumption for 2014 of 597.2 million and 632.1 million gallons, respectively. Since the combination of their business operations, LATAM has been managing the fuel hedging program for both LAN and TAM, based on an approved policy. LATAM forecasted fuel consumption for 2015 was 1.252 million gallons. This policy aims to hedge approximately 20-60% of our aggregate fuel consumption, using commodity derivatives for the expected fuel consumption from 12-24 months.

Jet Fuel isn’t the only underlying asset that LATAM may use for hedging purposes. It may also consider derivative instruments in other underlying commodity assets such as crude oil (Brent) or heating oil.

To keep the Company competitive, a portion of the fuel consumption is not hedged, as a drop in fuel prices positively affects the Company through a reduction in costs.

We may be exposed to fuel hedging transaction losses if our counterparties default (when LATAM has a positive Mark To Market). To manage this credit risk, we select counterparties based on their credit ratings and monitor our relative market position on a daily basis. For more information see “Item 3. Key Information—Risk Factors—Risks Related to Our Operations and the Airline Industry—Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively impact our business” .



During 2014, 2013 and 2012 we entered into a mix of swaps and option contracts on BRENT and JET FUEL 54 USGC with investment grade banks and other financial entities for notional fuel purchases (non delivery forward). Details of the fuel hedging program are shown below:

|                                     | LATAM Fuel Hedging      |       |                      |
|-------------------------------------|-------------------------|-------|----------------------|
|                                     | Year ended December 31, |       |                      |
|                                     | 2014                    | 2013  | 2012                 |
|                                     | LATAM                   | LATAM | LATAM <sup>(1)</sup> |
|                                     | (millions of US\$)      |       |                      |
| Gallons Purchased                   | 684.3                   | 823.7 | 598.4                |
| % Total Annual Fuel Consumption     | 55.6%                   | 65.0% | 44.7%                |
| Combined Result of Hedges (in US\$) | -108.7                  | +19.8 | -3.8                 |

(1) Includes TAM's fuel hedging from June 23, 2012.

As of December 31, 2014, the fair value of our outstanding fuel related derivative contracts was estimated to be US\$157.2 million (negative).

Gains and losses on the hedging contracts outlined above are recognized as a cost of sales in the income statement when the fuel subject to the hedge is consumed. Premiums paid related to fuel derivative contracts are recorded as prepaid expenses (current assets) and recorded as an expense at the time the contract expires.

Under IFRS, the fair value of the hedging derivatives is booked as a non-current asset or liability if the remaining maturity of the item is hedged for more than 12 months, and as a current asset or liability if the remaining term of the item is hedged for less than 12 months. The fair value of the derivative contracts is deferred within an equity reserve account. Please see Note 2.10 to our audited consolidated financial statements. As the current positions do not represent changes in cash flows but a variation in the exposure to the market value, the Company's current hedge positions have no impact on income; they are booked as cash flow hedge contracts, so a variation in fuel prices has an impact on the Company's net equity.

The following table shows the sensitivity analysis of our hedging contracts to reasonable changes in fuel prices and their effect on equity. The term used for the projection was December 31, 2015, the last maturity date of our current fuel hedge contracts. The calculations were made considering a parallel movement of US\$5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of December 2014, 2013 and 2012.

|                                     | LATAM fuel price sensitivity (effect on equity) |       |       |
|-------------------------------------|---|-------|-------|
|                                     | Position as of December 31,                     |       |       |
|                                     | 2014  | 2013  | 2012  |
|                                     | LATAM   | LATAM | LATAM |
|                                     | (millions of US\$ per barrel)                   |       |       |
| <b>BRENT or JET benchmark price</b> |   |       |       |
| +5                                  | +24.9   | +24.6 | +12.6 |
| -5                                  | -25.1   | -19.1 | -11.3 |

During the periods presented, the Company has not recorded amounts for ineffectiveness in the consolidated income statement pursuant to IFRS (Principles for recognizing and measuring financial instruments).

Given the fuel hedge structure as of December 31, 2014, which reflects only a partial hedge of our expected fuel consumption, a vertical fall by US\$5 in the BRENT and JET benchmark price (the monthly daily average) for each month would have meant savings of approximately US\$ 90.2 million in the cost of the Company's total fuel consumption. A vertical increase by US\$5 in the JET and BRENT benchmark price (the monthly daily average) for each month would have meant an additional cost of approximately US\$ 88.1 million of the Company's total fuel consumption.

### Risk of Fluctuations in Interest Rates

As of December 31, 2014, LATAM had US\$ 8,793 million in outstanding interest bearing loans. LATAM uses interest rate derivatives to reduce the impact of an increase of interest rates. 68% of LATAM outstanding debt as of December 31, 2014 was effectively at a fixed rate, either as fixed rate loans or variable rate loans hedged using a floating to fixed rate derivative instrument.

LATAM's interest bearing loans can be classified by: variable interest rate debt, fixed interest rate debt and interest rate hedged debt. LATAM's variable interest rate debt amounts to US\$2,799 million from which 83.3% is assigned to aircraft financing and 16.7% to non-aircraft financing. The fixed interest rate debt amounts are US\$ 5,994 million from which 64.9% is assigned to aircraft financing and 35.1% to non-aircraft financing. The interest rate hedged debt amounts to US\$ 486 million from which 97.1% is assigned to interest rate swaps and 2.9% to interest rate caps.



Under IFRS, the positive fair value of these interest rate swaps is reflected in the balance sheet as hedging assets and the negative fair value of these agreements is reflected as hedging liabilities. As of December 31, 2014, the fair value of all the interest rate swaps was estimated to be US\$60.7 million (negative).

The interest rate cap contracts qualify as cash flow hedges with no ineffectiveness associated to them due to the fact that all critical terms of the debt and the caps are matched. As of December 31, 2014, the fair value of these contracts was estimated to be close to zero.

The premiums paid on the cap contracts were allocated to individual caplets and recognized in the income statement throughout the term of each contract. Under IFRS these derivatives qualify as cash flow hedges even though some ineffectiveness exists as the notional amount over which some caps are calculated is different from the one used to determine the interest and lease payments on the aircraft. For IFRS purposes, there was no amount of ineffectiveness recorded in earnings because the change in fair value of the perfect hypothetical option was greater than the change in the fair value of the Company's option.

The use of the aforementioned hedging instruments, combined with fixed interest rate financing for our aircraft financing has enabled the Company to have a predictable interest rate costs, reducing the cash volatility.

As of December 31 2014, the average interest rate of our entire outstanding interest-bearing long-term debt rate was 3.8%.

The following table summarizes our principal payment obligations on all of our interest-bearing debt as of December 31, 2014 and the related average interest rate for such debt. The average interest rate has been calculated based on the prevailing interest rate on December 31, 2014 for each loan.

|                                     | LATAM's principal payment obligations by year of expected maturity <sup>(1)</sup> |         |       |       |      |      |                     |
|-------------------------------------|---|---------|-------|-------|------|------|---------------------|
|                                     | Average interest rate <sup>(2)</sup>  | 2015    | 2016  | 2017  | 2018 | 2019 | 2020 and thereafter |
| <b>Interest-bearing liabilities</b> | 3.8%  | 1,308.3 | 1,451 | 1,200 | 765  | 717  | 3,367               |

(1) At cost.

(2) Average interest rate means the average prevailing interest rate on December 31, 2014 on our debt after giving effect to hedging arrangements.

The following table shows the sensitivity of changes in our long-term interest bearing liabilities and capital leases that are not hedged against interest-rate variations. These changes are considered reasonably possible based on current market conditions.

|                                     | LATAM's interest rate sensitivity<br>(effect on pre-tax earnings)<br>Position as of December 31 |       |       |
|-------------------------------------|---|-------|-------|
|                                     | 2014  | 2013  | 2012  |
|                                     | LATAM   | LATAM | LATAM |
| <b>Increase (decrease) in LIBOR</b> |   |       |       |
| +100 basis points                   | -27.5   | -29.7 | -33.6 |
| -100 basis points                   | +27.5   | +29.7 | +33.6 |

Changes in market conditions produce a change in the valuation of current financial instruments hedging against fluctuations in 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 by increasing (decreasing) 100 basis points of the three-month Libor futures curve.





LATAM's interest rate sensitivity  
 (effect on equity)  
 Position as of December 31

|  | 2014               | 2013  | 2012  |
|--|--------------------|-------|-------|
|  | LATAM              | LATAM | LATAM |
|  | (millions of US\$) |       |       |

**Increase (decrease) in three month LIBOR**

*Future rates*

|                   |       |       |       |
|-------------------|-------|-------|-------|
| +100 basis points | +15.3 | +23.3 | +33.6 |
| -100 basis points | -15.9 | -24.5 | -35.5 |

During the periods presented, the company has not recorded amounts for ineffectiveness in the consolidated income statement pursuant to IFRS.

There are market-related limitations in the method used for the sensitivity analysis. These limitations derive from the fact that the levels indicated by the futures curves may not be necessarily met and may change in each period.

**Risk of Variation in Foreign Currency Exchange Rates**

LATAM sells most of its services in U.S. dollars (or at prices based on an amount of U.S. dollars). A large part of its expenses are denominated or based on U.S. dollars, particularly fuel costs, aeronautic charges, aircraft leases, insurance and aircraft components and accessories. Of LATAM's total expenses, the main item denominated in local currencies is employee remuneration.

Because we conduct business in local currencies in several countries, we face the risk of variations in multiple foreign currency exchange rates. Depreciation on these currencies against the U.S. Dollar could have an adverse effect on the cash flow projections because part of our revenues and receivables are denominated in those currencies. The Company may enter into FX derivative contracts to protect its foreign exchange risk exposure.

Balance sheet exposure of LATAM to the Brazilian Real is related to the functional currency of TAM and its balance sheet currency mismatch, as more of TAM's debt is denominated in U.S. Dollars as compared to its assets denominated in U.S. Dollars. When the balance sheet denominated in U.S. Dollars is translated to Brazilian Real, the financial results of TAM may fluctuate and therefore could impact LATAM's financial results.

The exposure to the Brazilian real on TAM's balance sheet has constantly been reduced from over US\$4.0 billion since the combination in June 2012 to less than US\$ 1.0 billion of December 31, 2014. The Company continues working to mitigate this exposure through the execution of the fleet transfer from TAM to LATAM and payment of TAM's short term debt denominated in USD.

The following table shows the sensitivity of LATAM's financial results to changes in the R\$/US\$ exchange rate:

|  | TAM exchange rate sensitivity                         |        |        |
|--|---|--------|--------|
|  | Position effect on pre-tax earnings as of December 31 |        |        |
|  | 2014  | 2013   | 2012   |
|  | LATAM   | LATAM  | LATAM  |
|  | (millions of US\$)                                    |        |        |
| <b>Appreciation (depreciation) of R\$/US\$</b> |   |        |        |
| -10%   | +69.8   | +197.8 | +404.2 |
| +10%   | -69.8   | -197.8 | -404.2 |

Additionally, one of LATAM's financing sources is the receipt of future flows related dividends and capital distributions that subsidiaries will distribute. These future cash flows vary depending on the evolution of the foreign currency exchange rate compared to the U.S. dollar. The greatest exposure to future cash flows is mainly presented by the subsidiary TAM S.A. and the R\$/US\$ volatility. In the case of TAM S.A., the earnings are expressed in large proportion in R\$, which a large portion of its costs are in US\$.

To hedge the investment in subsidiaries and reduce the cash flow volatility, the Company may enter into derivative contracts to mitigate currency appreciation or depreciation against the LATAM functional currency.

In order to reduce the operational monthly cash flow exposures for 2015, caused by Brazilian real depreciation and ensure economic margin, LATAM hedges the foreign exchange risk using FX derivatives.

As of December 31, 2014, the Company has FX derivative for US\$100 million (notional) with a market value of US\$ 0.1 million (negative).



If the Brazilian Real depreciates against the U.S. dollar, it could adversely affect the Company's results by increasing costs to LATAM denominated in U.S. dollars. However, a depreciation of the Brazilian Real would positively affect the value of these derivative positions.

Because changes in the values of existing positions do not represent changes in cash flow, but a variation in the exposure of market value, the outstanding hedging positions do not impact results (they are registered as cash flow hedges under IFRS, therefore, a change in the exchange rate has an impact on the equity of the Company).

The following table shows the sensitivity of financial instruments according to reasonable changes in the exchange rates and its effect on equity. The term projection is defined until the end of the last hedging contract in force:

**LATAM foreign exchange sensitivity**  
Position as of December 31

| <u>Appreciation (depreciation) of R\$/US\$</u> | <u>2014</u><br>(Millions of US\$) |
|--|-----------------------------------|
| -10%   | -9.9                              |
| +10%   | +9.9                              |

Our foreign currency exchange exposure as of December 31, 2014 was as follows:

**LATAM foreign currency exchange exposure**

|  | <u>US</u><br><u>dollars</u><br><u>MUS\$</u> | <u>% of</u><br><u>total</u> | <u>Brazilian</u><br><u>real</u><br><u>MUS\$</u> | <u>% of</u><br><u>total</u> | <u>Chilean</u><br><u>pesos</u><br><u>MUS\$</u> | <u>% of</u><br><u>total</u> | <u>Other</u><br><u>currencies</u><br><u>MUS\$</u> | <u>% of</u><br><u>total</u> | <u>Total</u><br><u>MUS\$</u> |
|--|---|-----------------------------|---|-----------------------------|--|-----------------------------|---|-----------------------------|------------------------------|
| Current assets                             | 1,452,356                                   | 39.9%                       | 1,301,648                                       | 35.8%                       | 233,271  | 6.4%                        | 647,349   | 17.8%                       | 3,634,624                    |
| Other assets                               | 9,660,175                                   | 57.3%                       | 6,930,158                                       | 41.1%                       | 12,361   | 0.1%                        | 247,112   | 1.5%                        | 16,849,806                   |
| Total assets                               | 11,112,531                                  | 54.3%                       | 8,231,806                                       | 40.2%                       | 245,632  | 1.2%                        | 894,461   | 4.4%                        | 20,484,430                   |
| Current liabilities                        | 3,617,951                                   | 62.1%                       | 1,726,492                                       | 29.6%                       | 117,528  | 2.0%                        | 367,761   | 6.3%                        | 5,829,732                    |
| Long-term liabilities                      | 8,228,109                                   | 81.1%                       | 1,767,873                                       | 17.4%                       | 136,978  | 1.4%                        | 18,043  | 0.2%                        | 10,151,003                   |
| Total liabilities and shareholders' equity | <u>16,349,755</u>                           | <u>79.8%</u>                | <u>3,494,365</u>                                | <u>17.1%</u>                | <u>254,506</u>                                 | <u>1.2%</u>                 | <u>385,804</u>                                    | <u>1.9%</u>                 | <u>20,484,430</u>            |

For more information on Market Risk, see Note 3 "Financial Risk Management" to our audited consolidated financial statements.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

### A. Debt Securities

Not applicable.

### B. Warrants and Rights

Not applicable.

### C. Other Securities

Not applicable.

### D. American Depositary Shares

In the United States, our common shares trade in the form of ADS. Since August 2007, each ADS represents one common share, issued by The Bank of New York Mellon, as Depositary pursuant to a Deposit Agreement. ADSs commenced trading on the NYSE in 1997. In October 2011 our Depositary bank changed from The Bank of New York Mellon to JP Morgan Chase Bank, N.A. ("JP Morgan").



**Fees and Charges for ADR Holders**

The Bank of New York Mellon, and since October 2011 JP Morgan, as depositary, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees. The depositary may also collect its annual fee for depositary services by deductions from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

**Persons depositing or withdrawing shares must pay:**

**For:**

US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

US\$.02 (or less) per ADS

- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs

- Any cash distribution to ADS registered holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders

US\$.02 (or less) per ADSs per calendar year

- Depositary services

Registration or transfer fees

- Transfer and registration of shares on the depositary's share register to or from the name of the depositary or its agent when investors deposit or withdraw shares

Expenses of the depositary

- Cable, telex and facsimile transmissions
- Conversion of foreign currencies into U.S. dollars

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, such as stock transfer taxes, stamp duty or withholding taxes

- As necessary

Any charges incurred by the depositary or its agents for servicing the deposited securities

- As necessary

**Fees and Direct and Indirect Payments Made by the Depositary to the Foreign Issuer**

**Past Fees and Payments**

During 2013, the Company received from the depositary US\$972,327 for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), payments related to applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

**Future Fees and Payments**

JP Morgan, as the depositary bank, has agreed to reimburse the Company for certain of our reasonable expenses related to our ADS program and incur by us in connection with the program. The reimbursements include direct payments (legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements, listing fees, investor relations expenses, advertising and public relations expenses and fees payable to service providers for the distribution of hard copy materials to beneficial ADR holders in the Depositary Trust Company, such as information related to shareholders' meetings and related voting instruction cards); and indirect payments (third-party expenses paid directly and fees waived).

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.



**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

**Controls and Procedures**

Management carried out an evaluation with the participation of the chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 31, 2014. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon such evaluation, management, with the participation of the chief executive officer and chief financial officer concluded that the disclosure controls and procedures, as of December 31, 2014, were effective in providing reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

**Management’s annual report on internal control over financial reporting**

The management of the Company, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as amended.

The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate. LATAM Airlines Group S.A.’s management, including the Chief Executive Officer and the Chief Financial Officer, has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2014 based on the criteria established in “Internal Control - Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and, based on such criteria, LATAM Airlines Group S.A.’s management has concluded that, as of December 31, 2014, the Company’s internal control over financial reporting is effective. The company’s internal control over financial reporting effectiveness as of December 31, 2014 has been audited by PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, an independent registered public accounting firm, as stated in their report included herein.

(c) *Attestation report of the registered public accounting firm.* See page F-156 of our audited consolidated financial statements.

(d) *Changes in internal control over financial reporting.* There has been no significant change in our internal control over financial reporting during 2014. None of the changes has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. RESERVED**

**A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has designated Georges de Bourguignon Arndt, as an “audit committee financial expert” within the meaning of this Item 16. A. Mr. de Bourguignon is independent within the meaning of Rule 10A-3 under the Exchange Act. See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management.”



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**B. CODE OF ETHICS**

We have adopted a code of ethics and conduct, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our senior management, including our chief executive officer, our chief financial officer and our chief accounting officer, as



well as to other employees. Our code is freely available online at our website, www.lan.com, under the heading “Corporate Governance” in the Investor Relations page. In addition, upon written request, by regular mail, to the following address: LAN Airlines S.A., Investor Relations Department, attention: Investor Relations, Av. Presidente Riesco 5711, Piso 20, Comuna Las Condes, Santiago, Chile, or by e-mail at [investor\\_relations@lan.com](mailto:investor_relations@lan.com) we will provide any person with a copy of it without charge. If we amend the provisions of our code of ethics that apply to our senior management or to other persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website.

**C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Audit and Non-Audit Fees**

The following table sets forth the fees paid to our independent registered public accounting firm, PricewaterhouseCoopers, during the fiscal years ended December 31, 2014 and 2013:

|                    | <u>2014</u>        | <u>2013</u>  |
|--------------------|--------------------|--------------|
|                    | USD (in thousands) |              |
| Audit fees         | 2,146              | 5,930        |
| Audit-related fees | 12                 | 73           |
| Tax fees           | 29                 | 90           |
| All Other fees     | 135                | 42           |
| Total fees         | <u>2,322</u>       | <u>6,135</u> |

Audit-related fees in the above table are the aggregate fees billed by PricewaterhouseCoopers for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the external auditor, including due diligence and other audit related services. Fees in 2014 include attestation services related with revenues in Argentina. Fees in 2013 include payments to PricewaterhouseCoopers Brazil since the business combination with TAM.

Other fees in the above table are fees billed by PricewaterhouseCoopers as of December 31, 2014 primarily for survey salary and salary special studies in Peru, review of the reporting process for the business intelligence program in Chile and entity management risk consulting. Other fees in 2013 include training services in IFRS and the review of pro forma financial statements that were included in the 2013 annual report.

**Board of Directors’ Committee Pre-Approval Policies and Procedures**

Since January 2004, LATAM has complied with SEC regulations regarding the type of additional services our independent auditors are authorized to offer to us. In addition, our Board of Directors’ Committee (which serves as our Audit Committee) has decided to automatically authorize any such accepted services for an amount of up to 10% of the fees charged by the auditing firm, and for an amount of up to 50% when adding all such services provided by the auditing firm in the aggregate. If the amount of any services is larger than these thresholds, approval by the Board of Directors’ Committee will be required.

**D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

None.

**E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

None.

**G. CORPORATE GOVERNANCE**

**New York Stock Exchange Corporate Governance Comparison**

Pursuant to Section 303A.11 of the Listed Company Manual of the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Chilean corporation with shares listed on the SSE, the Chilean Electronic Exchange and the Valparaiso Stock Exchange, our ADSs listed on the NYSE and our BDRs listed on Bovespa. Our corporate governance practices are governed by our bylaws, the Chilean Corporation Law and the Securities Market Law.



The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

**NYSE Standards**

**Director Independence.** *Majority of board of directors must be independent. §303A.01*

**Executive Sessions.** *Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03*

**Audit committee.** *Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act, as amended, and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07*

**Nominating/corporate governance committee.** *Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04*

**Compensation committee.** *Compensation committee of independent directors is required, which must approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.05*

**Equity compensation plans.** *Equity compensation plans require shareholder approval, subject to limited exemptions.*

**Our Corporate Governance Practice**

Under Chilean law, we are not required to have a majority of independent directors on our board.

Our board of directors' committee (all of whom are members of our board of directors) is composed of three directors, two of whom must be independent if we have a sufficient number of independent directors on our board.

The definition of independence applicable to us pursuant to the Chilean Corporation Law differs in certain respects from the definition applicable to U.S. issuers under the NYSE rules.

**Pursuant to Law No. 20,382 on Corporate Governance, which came into effect on January 1, 2010, we are also required to have at least one independent director.**

Starting on January 1, 2010, directors are deemed to be independent if they have not fallen within any of the following categories during the 18 months prior to their election: (i) had a relevant relationship, interest or dependence on us, our subsidiaries, controlling shareholders, main executives, or had served any of the foregoing in a senior position; (ii) had a close family relationship with any of the individuals indicated in (i); (iii) had served in a non-profit organization which received significant funds from the individuals indicated in (i); (iv) had been a partner or shareholder (with a direct or indirect participation in excess of 10%) in, or had a senior position at a company which has rendered significant services to, the individuals indicated in (i); (v) had been a partner or shareholder (with a direct or indirect participation in excess of 10%) in, or had a senior position at, our main competitors, suppliers or clients. In addition, the election of such an independent director is subject to a procedure set forth by the cited Corporation Law.

There is no similar requirement under our bylaws or under applicable Chilean law.

We are in compliance with Rule 10A-3. We are not required to satisfy the NYSE independence and other audit committee standards that are not prescribed by Rule 10A-3.

We are not required to have, and do not have, a nominating/corporate governance committee.

We are not required to have a compensation committee. Pursuant to the Chilean Corporation Law, our board of directors' committee must approve our senior management and employee's compensation.

Under the Chilean Corporation Law, equity compensation plans require shareholder approval.



**NYSE Standards**

**Code of Ethics.** *Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. §303A.10*

**Our Corporate Governance Practice**

We have adopted a code of ethics and conduct applicable to our senior management, including our chief executive officer, our chief financial officer and our chief accounting officer, as well as to other employees. Our code is freely available online at our website, [www.latamairlinesgroup.net](http://www.latamairlinesgroup.net), under the heading “Corporate Governance” in the Investor Relations informational page. In addition, upon written request, by regular mail to LATAM Airlines Group S.A., Investor Relations Department, attention: Investor Relations, Av. Presidente Riesco 5711, 20<sup>th</sup> floor, Comuna Las Condes, Santiago, Chile or by e-mail at [Investor.Relations@lan.com](mailto:Investor.Relations@lan.com), we will provide any person with a copy of our code of ethics without charge. We are required by Item 16B of Form 20-F to disclose any waivers granted to our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions.

The disclosure of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards is also posted on our website and can be accessed at [www.latamairlinesgroup.net](http://www.latamairlinesgroup.net)

**H. Mine Safety Disclosure**

Not applicable.



**PART III****ITEM 17. FINANCIAL STATEMENTS**

See “Item 18. Financial Statements.”

**ITEM 18. FINANCIAL STATEMENTS**

See our consolidated Financial Statements beginning on page F-1. The following is an index of the financial statements.

Consolidated Financial Statements for LATAM Airlines Group and its Subsidiaries

| <u>Audited Consolidated Financial Statements</u>  | <u>Page</u> |
|---|-------------|
| <u>Consolidated Statements of Financial Position at December 31, 2014 and 2013</u>                                | F-1         |
| <u>Consolidated Statement of Income by Function for the years ended December 31, 2014, 2013 and 2012</u>          | F-4         |
| <u>Consolidated Statement of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012</u>        | F-6         |
| <u>Statement of Changes in Equity for the year ended December 31, 2014, 2013 and 2012</u>                         | F-7         |
| <u>Consolidated Statements of Cash Flows – Direct Method for the years ended December 31, 2014, 2013 and 2012</u> | F-8         |
| <u>Notes to Consolidated Financial Statements at December 31, 2014</u>  | F-11        |
| <u>Report of Independent Registered Public Accounting Firm</u>  | F-12        |
|   | F-156       |

**ITEM 19. EXHIBITS**

Documents filed as exhibits to this annual report:

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 1.1                | Amended By-laws of LATAM Airlines Group S.A.   |
| 2.1                | Second Amended and Restated Deposit Agreement, dated as of October 28, 2011, between the Company and JPMorgan Chase Bank, N.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 2.3                | Indenture, dated as of April 25, 2007, among TAM Capital Inc., Tam S.A., TAM Linhas Aéreas S.A., The Bank of New York and The Bank of New York (Luxembourg) S.A., incorporated herein by reference from our second pre-effective amendment to our Registration Statement on Form F-4, File No. 333-131938.   |
| 2.4                | Indenture, dated as of October 29, 2009, among TAM Capital 2 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A., incorporated herein by reference from our Annual Report for the fiscal year ended December 31, 2009 on Form 20-F, filed June 30, 2010, File. No. 333-131938.   |
| 4.1                | Second A320-Family Purchase Agreement, dated March 20, 1998, between the Company and Airbus Industry relating to Airbus A320-Family Aircraft (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on June 24, 2001 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.1.1              | Amendment No. 1 dated as of November 14, 2003 and Amendment No. 2 dated as of October 4, 2005, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (as successor to Airbus Industry) (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment). |
| 4.1.2              | Amendment No. 3 dated as of March 6, 2007, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.1.3              | Amendment No. 5 dated as of December 23, 2009, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 29, 2010 and portions of which have been omitted pursuant to a request for confidential treatment).   |



| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 4.1.4              | Amendments No. 6, 7, 8 and 9 (dated as of May 10, 2010, May 19, 2010, September 23, 2010 and December 21, 2010, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.5              | Amendments No. 10 and 11 (dated as of June 10, 2011 and November 8, 2011, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.6              | Amendment No. 12 (dated as of November 19, 2012), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.7              | Amendment No. 13 (dated as of August 19, 2013), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.8*             | Amendments No. 14, 15, 16 and 17 (dated as of March 31, 2014, May 16, 2014, July 15, 2015 and December 11, 2014, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission  |
| 4.1.9*             | Novation Agreement (dated as of October 30, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A320 Family/A330 purchase agreement dated November 14, 2006, as amended and restated, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.2                | Purchase Agreement No. 2126 dated as of January 30, 1998, between the Company and The Boeing Company as amended and supplemented, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on December 21, 2004 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.2.1              | Supplemental Agreements No. 16, 19, 20, 21 and 22 (dated as of November 11, 2004, April 1, April 28, and July 20, 2005, and March 31, 2006, respectively) to the Purchase Agreement No. 2126 dated January 30, 1998, between the Company and The Boeing Company, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report filed on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment). |
| 4.2.2              | Supplemental Agreement No. 23 dated as of December 14th, 2006 to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on April 23, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.2.3              | Supplemental Agreement No. 24 dated as of November 10, 2008, to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2009 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.2.4              | Supplemental Agreements No. 28 and 29 (dated as of March 22, 2010 and November 10, 2010, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of these documents have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).                            |
| 4.2.5              | Supplemental Agreements No. 30, 31 and 32 (dated as of February 15, 2011, May 10, 2011 and December 22, 2011, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |



| Exhibit No. | Description   |
|-------------|---|
| 4.3         | Aircraft Lease Common Terms Agreement between GE Commercial Aviation Services Limited and LAN Cargo S.A., dated as of April 30, 2007, and Aircraft Lease Agreements between Wells Fargo Bank Northwest N.A., as owner trustee, and LAN Cargo S.A., dated as of April 30, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment). |
| 4.4         | Purchase Agreement No. 3194 between the Company and The Boeing Company relating to Boeing Model 777-Freighter aircraft dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.4.1       | Supplemental Agreement No. 2 dated as of November 2, 2010, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.4.2       | Supplemental Agreement No. 3 dated as of September 21, 2011, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.4.3       | Supplemental Agreement No. 4 dated as of August 9, 2012, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5         | Purchase Agreement No. 3256 between the Company and The Boeing Company relating to Boeing Model 787-8 and 787-9 aircraft dated as of October 29, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5.1       | Supplemental Agreements No. 1 and 2 (dated March 22, 2010 and July 8, 2010, respectively) to the Purchase Agreement No. 3256 dated October 29, 2007, as amended, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5.2       | Supplemental Agreement No. 3 dated as of August 24, 2012, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5.3       | Delay Settlement Agreement, dated as of September 16, 2013, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.6         | General Terms Agreement No. CFM-1-2377460475 and Letter Agreement No. 1 to General Terms Agreement No. CFM-1-2377460475 between the Company and CFM International, Inc., both dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.7         | Rate Per Flight Hour Engine Shop Maintenance Services Agreement between the Company and CFM International, Inc., dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.9         | Implementation Agreement, dated as of January 18, 2011, among the Company, Costa Verde Aeronáutica S.A., Inversiones Mineras del Cantábrico S.A., TAM S.A., TAM Empreendimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).   |



| Exhibit No. | Description   |
|-------------|---|
| 4.9.1       | Extension Letter to the Implementation Agreement and Exchange Offer Agreement dated January 12, 2012 among the Company, Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011). |
| 4.10        | Exchange Offer Agreement, dated as of January 18, 2011, among LAN Airlines S.A., Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).   |
| 4.11        | Shareholders Agreement, dated as of January 25, 2012, among Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A. and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 4.12        | Shareholders Agreement, dated as of January 25, 2012, between the Company and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).  |
| 4.13        | Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A. and Holdco I S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 4.14        | Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A., Holdco I S.A. and TAM S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 4.15        | Letter Agreement No. 12 (GTA No. 6-9576), dated July 11, 2011, between the Company and the General Electric Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.20        | A320 NEO Purchase Agreement, dated as of June 22, 2011, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.20.1*     | Amendments No. 1, 2 and 3 (dated as of February 27, 2013, July 15, 2014 and December 11, 2014, respectively), to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.20.2*     | Letter Agreement No. 1 (dated as of July 15, 2014) to Amendment No. 2 (dated as of July 15, 2014) to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.21        | Buyback Agreement No. 3001 relating to One (1) Airbus A318-100 Aircraft MSN 3001, dated as of April 14, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.22        | Buyback Agreement No. 3030 relating to One (1) Airbus A318-100 Aircraft MSN 3003, dated as of August 10, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |



| Exhibit No. | Description  |
|-------------|--|
| 4.23        | Buyback Agreement No. 3062, to One (1) Airbus A318-100 Aircraft MSN 3062, dated as of May 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.24        | Buyback Agreement No. 3214, to One (1) Airbus A318-100 Aircraft MSN 3214, dated as of June 9, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.25        | Buyback Agreement No. 3216, to One (1) Airbus A318-100 Aircraft MSN 3216, dated as of July 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.26        | Aircraft General Terms Agreement Number AGTA-LAN, dated May 9, 1997, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.27        | Buyback Agreement No. 3371 dated as of July 25, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.28        | Buyback Agreement No. 3390, dated as of October 26, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.29        | Buyback Agreement No. 3438, dated as of December 5, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.30        | Buyback Agreement No. 3469, dated as of January 4, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.31        | Buyback Agreement No. 3509, dated as of February 20, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.32        | A320 Family Purchase Agreement, dated March 19, 1998, between Airbus S.A.S. (formerly known as Airbus Industrie GIE) and TAM Linhas Aéreas S.A. (formerly known as TAM Transportes Aéreos Meridionais S.A. and as successor in interest in TAM-Transportes Aéreos Regionais S.A.), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.  |
| 4.32.1      | Amendments No. 12, 13 and 14 (dated as of January 27, 2012 and November 30, 2012 and December 14, 2012, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).                            |
| 4.33        | A350 Family Purchase Agreement, dated December 20, 2005, between Airbus S.A.S. and TAM Linhas Aéreas S.A., incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.  |
| 4.33.1*     | A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.33.2*     | Amendments No. 1, 2 and 3 (dated July 28, 2010, July 15, 2014 and October 30, 2014, respectively) to the A350 Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.33.3*     | Novation Agreement (dated as of July 21, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission. |



| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 4.34               | V2500 Maintenance Agreement, dated September 14, 2000, between TAM Transportes Aéreos Regionais S.A. (incorporated by TAM Linhas Aéreas S.A.) and MTU Maintenance Hannover GmbH (MTU), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.  |
| 4.36               | PW1100G-JM Engine Support and Maintenance Agreement, dated February 26, 2014, between LATAM Airlines Group S.A. and Pratt & Whitney Division, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.37               | Framework Deed, dated May 28, 2013, between LATAM Airlines Group S.A. and AerCap Holdings N.V, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.38*              | A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.38.1*            | Amendments No. 15, 16, 17, 18, and 19 (dated as of February 18, 2013, February 27, 2013, August 19, 2013, July 15, 2014 and December 11, 2014, respectively) to the A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission. |
| 4.39*              | Supplemental Agreement No. 7 (dated as of May 2014) to the Boeing 777-32WER Purchase Agreement (dated as of February 2007) between TAM – Linhas Aereas S.A. and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.  |
| 8.1                | List of subsidiaries of the Company.   |
| 12.1               | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 12.2               | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 13.1               | Certifications of Chief Financial Officer and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |

\* Filed herewith.



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LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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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                     |



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

## ASSETS

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

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIESCONSOLIDATED STATEMENT OF FINANCIAL POSITION

## LIABILITIES AND EQUITY

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

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIESCONSOLIDATED STATEMENT OF INCOME BY FUNCTION

|  | Note | For the period ended<br>December 31, |                  |                    |
|--|------|--------------------------------------|------------------|--------------------|
|  |      | 2014<br>ThUS\$                       | 2013<br>ThUS\$   | 2012 (*)<br>ThUS\$ |
| Revenue  | 25   | 12,093,501                           | 12,924,537       | 9,710,372          |
| Cost of sales  |      | (9,624,501)                          | (10,054,164)     | (7,634,453)        |
| Gross margin   |      | 2,469,000                            | 2,870,373        | 2,075,919          |
| Other income   | 27   | 377,645                              | 341,565          | 220,156            |
| Distribution costs   |      | (957,072)                            | (1,025,896)      | (803,619)          |
| Administrative expenses  |      | (980,660)                            | (1,136,115)      | (888,654)          |
| Other expenses   |      | (401,021)                            | (408,703)        | (311,753)          |
| Other gains/(losses)   |      | 33,524                               | (55,410)         | (45,831)           |
| Gains (losses) from operating activities                             |      | 541,416                              | 585,814          | 246,218            |
| Financial income   |      | 90,500                               | 72,828           | 77,489             |
| Financial costs  | 26   | (430,034)                            | (462,524)        | (294,598)          |
| Share of profit of investments accounted for using the equity method |      | (6,455)                              | 1,954            | 972                |
| Foreign exchange gains/(losses)                                      | 28   | (130,201)                            | (482,174)        | 66,685             |
| Result of indexation units   |      | 7                                    | 214              | (22)               |
| Income (loss) before taxes   |      | 65,233                               | (283,888)        | 96,744             |
| Income (loss) tax expense / benefit                                  | 17   | (292,404)                            | 20,069           | (102,386)          |
| <b>NET INCOME (LOSS) FOR THE PERIOD</b>                              |      | <b>(227,171)</b>                     | <b>(263,819)</b> | <b>(5,642)</b>     |
| Income (loss) attributable to owners of the parent                   |      | (259,985)                            | (281,114)        | (19,076)           |
| Income (loss) attributable to non-controlling interest               | 13   | 32,814                               | 17,295           | 13,434             |
| Net income (loss) for the year                                       |      | (227,171)                            | (263,819)        | (5,642)            |
| <b>EARNINGS PER SHARE</b>  |      |                                      |                  |                    |
| Basic earnings (losses) per share (US\$)                             | 29   | (0.47656)                            | (0.57613)        | (0.04627)          |
| Diluted earnings (losses) per share (US\$)                           | 29   | (0.47656)                            | (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. See Note 15.2

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIESINTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Note | For the periods ended |                  |                |
|--|------|-----------------------|------------------|----------------|
|  |      | December 31,          |                  |                |
|  |      | 2014                  | 2013             | 2012 (*)       |
|  |      | ThUS\$                | ThUS\$           | ThUS\$         |
| <b>NET INCOME (LOSS)</b>   |      | <u>(227,171)</u>      | <u>(263,819)</u> | <u>(5,642)</u> |
| Components of other comprehensive income that will be reclassified to income before taxes            |      |                       |                  |                |
| Currency translation differences   |      |                       |                  |                |
| Gains (losses) on currency translation, before tax   | 28   | <u>(650,439)</u>      | <u>(629,858)</u> | <u>19,170</u>  |
| Other comprehensive income, before taxes, currency translation differences                           |      | <u>(650,439)</u>      | <u>(629,858)</u> | <u>19,170</u>  |
| Cash flow hedges   |      |                       |                  |                |
| Gains (losses) on cash flow hedges before taxes  | 18   | <u>(163,993)</u>      | <u>128,166</u>   | <u>(2,510)</u> |
| Other comprehensive income (losses), before taxes, cash flow hedges                                  |      | <u>(163,993)</u>      | <u>128,166</u>   | <u>(2,510)</u> |
| Other components of other comprehensive income (loss), before taxes                                  |      | <u>(814,432)</u>      | <u>(501,692)</u> | <u>16,660</u>  |
| Income tax relating to other comprehensive income that will be reclassified to income                |      | <u>—</u>              | <u>—</u>         | <u>(2,734)</u> |
| Income tax related to cash flow hedges in other comprehensive income                                 |      | <u>47,979</u>         | <u>(19,345)</u>  | <u>(2,623)</u> |
| Income taxes related to components of other comprehensive income that will be reclassified to income |      | <u>47,979</u>         | <u>(19,345)</u>  | <u>(5,357)</u> |
| Other comprehensive income (loss)  |      | <u>(766,453)</u>      | <u>(521,037)</u> | <u>11,303</u>  |
| Total comprehensive income (loss)  |      | <u>(993,624)</u>      | <u>(784,856)</u> | <u>5,661</u>   |
| Comprehensive income (loss) attributable to owners of the parent                                     |      | <u>(980,697)</u>      | <u>(768,457)</u> | <u>(2,359)</u> |
| Comprehensive income (loss) attributable to non-controlling interests                                |      | <u>(12,927)</u>       | <u>(16,399)</u>  | <u>8,020</u>   |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>   |      | <u>(993,624)</u>      | <u>(784,856)</u> | <u>5,661</u>   |

(\*) The balances at December 31, 2012, include TAM S.A. and Subsidiaries from June 22, 2012, date of the business combination materialized. See Note 15.2

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.



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

Attributable to owners of the parent

|   | Change in other reserves |                           |  |                                     |   |                                |                               |                             |                                       |                                    | Total equity<br>THUS\$ |
|---|--------------------------|---------------------------|--|-------------------------------------|---|--------------------------------|-------------------------------|-----------------------------|---------------------------------------|------------------------------------|------------------------|
|   | Share capital<br>THUS\$  | Treasury shares<br>THUS\$ | Currency translation reserve<br>THUS\$ | Cash flow hedging reserve<br>THUS\$ | Shares based payments reserve<br>THUS\$ | Other sundry reserve<br>THUS\$ | Total other reserve<br>THUS\$ | Retained earnings<br>THUS\$ | Parent's ownership interest<br>THUS\$ | Non-controlling interest<br>THUS\$ |                        |
| Equity as of January 1, 2014                                    | 2,389,384                | (178)                     | (589,991)                              | (34,508)                            | 21,011                                  | 2,657,800                      | 2,054,312                     | 795,303                     | 5,238,821                             | 87,638                             | 5,326,459              |
| Total increase (decrease) in equity                             |                          |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Comprehensive income  |                          |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Gain (losses)   | 24                       |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Other comprehensive income                                      |                          |                           | (603,880)                              | (116,832)                           |   |                                | (720,712)                     |                             | (259,985)                             | 32,814                             | (227,171)              |
| Total comprehensive income                                      |                          |                           | (603,880)                              | (116,832)                           |   |                                | (720,712)                     |                             | (980,697)                             | (45,741)                           | (766,453)              |
| Transactions with shareholders                                  |                          |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Equity issuance   | 24-33                    | 156,321                   |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Increase (decrease) through transfers and other changes, equity | 24-33                    |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Total transactions with shareholders                            |                          | 156,321                   |  |                                     | 8,631                                   | (22,052)                       | (13,421)                      | 872                         | (12,549)                              | 27,088                             | 14,539                 |
| Closing balance as of December 31, 2014                         |                          | 2,545,705                 | (178)                                  | (1,193,871)                         | (151,340)                               | 2,635,748                      | 1,320,179                     | 536,190                     | 4,401,896                             | 101,799                            | 4,503,695              |

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.



## LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owners of the parent |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
|---|--------------------------------------|---------------------------|--|-------------------------------------|---|--------------------------------|-------------------------------|-----------------------------|---------------------------------------|------------------------------------|------------------------|
|   | Change in other reserves             |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
|   | Share capital<br>ThUS\$              | Treasury shares<br>ThUS\$ | Currency translation reserve<br>ThUS\$ | Cash flow hedging reserve<br>ThUS\$ | Shares based payments reserve<br>ThUS\$ | Other sundry reserve<br>ThUS\$ | Total other reserve<br>ThUS\$ | Retained earnings<br>ThUS\$ | Parent's ownership interest<br>ThUS\$ | Non-controlling interest<br>ThUS\$ | Total equity<br>ThUS\$ |
| Equity as of January 1, 2013                                    | 1,501,018                            | (203)                     | 3,574                                  | (140,730)                           | 5,574                                   | 2,666,682                      | 2,535,100                     | 1,076,136                   | 5,112,051                             | 108,634                            | 5,220,685              |
| Total increase (decrease) in equity                             |                                      |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Comprehensive income  |                                      |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Gain (losses)   | 24                                   |                           |  |                                     |   |                                |                               | (281,114)                   | (281,114)                             | 17,295                             | (263,819)              |
| Other comprehensive income                                      |                                      |                           | (593,565)                              | 106,222                             |   |                                | (487,343)                     |                             | (487,343)                             | (33,694)                           | (521,037)              |
| Total comprehensive income                                      |                                      |                           | (593,565)                              | 106,222                             |   |                                | (487,343)                     | (281,114)                   | (768,457)                             | (16,399)                           | (784,856)              |
| Transactions with shareholders                                  |                                      |                           |  |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Equity issuance   | 24-33                                | 888,570                   |  |                                     |   |                                |                               |                             |                                       |                                    | 888,570                |
| Dividends   | 24                                   | (25)                      | 25                                     |                                     |   |                                |                               |                             |                                       |                                    |                        |
| Increase (decrease) through transfers and other changes, equity | 24-33                                | (179)                     |  |                                     |   |                                | (8,882)                       | 281                         | 6,657                                 | (4,597)                            | 2,060                  |
| Total transactions with shareholders                            |                                      | 888,366                   | 25                                     |                                     |   |                                | (8,882)                       | 281                         | 895,227                               | (4,597)                            | 890,630                |
| Closing balance as of December 31, 2013                         |                                      | 2,389,384                 | (178)                                  | (589,991)                           | (34,508)                                | 2,657,800                      | 2,054,312                     | 795,303                     | 5,238,821                             | 87,638                             | 5,326,459              |

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.



|   | Attributable to owners of the parent |                 |                              |                           |                               |                      |                     |                   |                             |                          |              |
|---|--------------------------------------|-----------------|------------------------------|---------------------------|-------------------------------|----------------------|---------------------|-------------------|-----------------------------|--------------------------|--------------|
|   | Change in other reserves             |                 |                              |                           |                               |                      |                     |                   |                             |                          |              |
|   | Share capital                        | Treasury shares | Currency translation reserve | Cash flow hedging reserve | Shares based payments reserve | Other sundry reserve | Total other reserve | Retained earnings | Parent's ownership interest | Non-controlling interest | Total equity |
|   | ThUS\$                               | ThUS\$          | ThUS\$                       | ThUS\$                    | ThUS\$                        | ThUS\$               | ThUS\$              | ThUS\$            | ThUS\$                      | ThUS\$                   | 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)   | 24                                   | —               | —                            | —                         | —                             | —                    | —                   | (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   | 24-33                                | 1,030,621       | —                            | —                         | —                             | —                    | —                   | —                 | 3,696,313                   | —                        | 3,696,313    |
| Dividends   | 24                                   | —               | —                            | —                         | —                             | —                    | —                   | (21,749)          | (21,749)                    | —                        | (21,749)     |
| Increase (decrease) through transactions with treasury shares   | 24                                   | —               | (203)                        | —                         | —                             | —                    | —                   | —                 | (203)                       | —                        | (203)        |
| Increase (decrease) through transfers and other changes, equity | 24-33                                | (3,510)         | —                            | —                         | —                             | (1,556)              | (372)               | 163               | (5,275)                     | 88,566                   | 83,291       |
| Total transactions with shareholders                            |                                      | 1,027,111       | (203)                        | —                         | —                             | (1,556)              | 2,665,320           | (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           | 1,076,136         | 5,112,051                   | 108,634                  | 5,220,685    |

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.



LATAM AIRLINES GROUP S.A AND SUBSIDIARIESCONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

|   | Note | For the periods ended<br>December 31, |                         |                       |
|---|------|---------------------------------------|-------------------------|-----------------------|
|   |      | 2014<br>ThUS\$                        | 2013<br>ThUS\$          | 2012<br>ThUS\$        |
| <b>Cash flows from operating activities</b>   |      |                                       |                         |                       |
| Cash collection from operating activities   |      |                                       |                         |                       |
| Proceeds from sales of goods and services   |      | 13,367,838                            | 13,406,275              | 10,258,473            |
| Other cash receipts from operating activities   |      | 96,931                                | 4,638                   | 57,763                |
| Payments for operating activities   |      |                                       |                         |                       |
| Payments to suppliers for goods and services  |      | (8,823,007)                           | (9,570,723)             | (7,153,865)           |
| Payments to and on behalf of employees  |      | (2,433,652)                           | (2,405,315)             | (1,938,769)           |
| Other payments for operating activities   |      | (528,214)                             | (31,215)                | (19,325)              |
| Interest received   |      | 11,589                                | 11,310                  | 52,986                |
| Income taxes refunded (paid)  |      | (108,389)                             | (83,033)                | (3,018)               |
| Other cash inflows (outflows)   | 6    | (251,657)                             | 76,761                  | (50,433)              |
| Net cash flows from operating activities  |      | <u>1,331,439</u>                      | <u>1,408,698</u>        | <u>1,203,812</u>      |
| <b>Cash flows used in investing activities</b>  |      |                                       |                         |                       |
| Cash flows used to obtain control of subsidiaries or other businesses                       |      |                                       |                         |                       |
|   |      | 518                                   | (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              |      |                                       |                         |                       |
|   |      | 524,370                               | 270,485                 | 386,379               |
| Other payments to acquire equity or debt instruments of other entities                      |      |                                       |                         |                       |
|   |      | (474,656)                             | (440,801)               | —                     |
| Amounts raised from sale of property, plant and equipment                                   |      |                                       |                         |                       |
|   |      | 564,266                               | 225,196                 | 73,429                |
| Purchases of property, plant and equipment  |      |                                       |                         |                       |
|   |      | (1,440,445)                           | (1,381,786)             | (2,389,364)           |
| Sales of intangible assets  |      |                                       |                         |                       |
|   |      | —                                     | —                       | —                     |
| Purchases of intangible assets  |      |                                       |                         |                       |
|   |      | (55,759)                              | (43,484)                | (59,166)              |
| Payment from other long-term assets   |      |                                       |                         |                       |
|   |      | —                                     | 22,144                  | 38,035                |
| Dividends received  |      |                                       |                         |                       |
|   |      | —                                     | —                       | 351                   |
| Other cash inflows (outflows)   | 6    | (17,399)                              | 75,448                  | 27,143                |
| Net cash flow from (used in) investing activities   |      | <u>(899,105)</u>                      | <u>(1,278,812)</u>      | <u>(1,926,416)</u>    |
| <b>Cash flows from (used in) financing activities</b>                                       |      |                                       |                         |                       |
| Amounts raised from issuance of shares  |      |                                       |                         |                       |
|   |      | 156,321                               | 888,949                 | 83,512                |
| Payments to acquire or redeem the shares of the entity                                      |      |                                       |                         |                       |
|   |      | 4,661                                 | —                       | (203)                 |
| Amounts raised from long-term loans   |      |                                       |                         |                       |
|   |      | 1,042,820                             | 2,043,518               | 2,185,663             |
| Amounts raised from short-term loans  |      |                                       |                         |                       |
|   |      | 603,151                               | 1,101,159               | 152,000               |
| Loans repayments  |      |                                       |                         |                       |
|   |      | (2,315,120)                           | (1,952,013)             | (539,332)             |
| Payments of finance lease liabilities   |      |                                       |                         |                       |
|   |      | (394,131)                             | (423,105)               | (292,931)             |
| Dividends paid  |      |                                       |                         |                       |
|   |      | (35,362)                              | (29,694)                | (124,827)             |
| Interest paid   |      |                                       |                         |                       |
|   |      | (368,789)                             | (361,006)               | (227,607)             |
| Other cash inflows (outflows)   | 6    | (13,777)                              | (62,013)                | (231,079)             |
| Net cash flows from (used in) financing activities  |      | <u>(1,320,226)</u>                    | <u>1,205,795</u>        | <u>1,005,196</u>      |
| Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change |      |                                       |                         |                       |
|   |      | (887,892)                             | 1,335,681               | 282,592               |
| Effects of variation in the exchange rate on cash and cash equivalents                      |      |                                       |                         |                       |
|   |      | (107,615)                             | (1,041)                 | (6,736)               |
| Net increase (decrease) in cash and cash equivalents  |      | <u>(995,507)</u>                      | <u>1,334,640</u>        | <u>275,856</u>        |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD  | 6    | <u>1,984,903</u>                      | <u>650,263</u>          | <u>374,407</u>        |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | 6    | <u><u>989,396</u></u>                 | <u><u>1,984,903</u></u> | <u><u>650,263</u></u> |

The accompanying Notes 1 to 36 form an integral part of these consolidated financial statements.



LATAM AIRLINES GROUP S.A AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2014

NOTE 1 - GENERAL INFORMATION

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

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

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

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

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

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



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

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



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

a) As of December 31, 2014

| Tax No.      | Company  | Country of origin | Functional Currency | Participation rate        |                             |                          | Statement of financial position |             |           | Net Income  |
|--------------|--|-------------------|---------------------|---------------------------|-----------------------------|--------------------------|---------------------------------|-------------|-----------|-------------|
|              |  |                   |                     | Direct ownership interest | Indirect ownership interest | Total ownership interest | Assets                          | Liabilities | Equity    | Gain (loss) |
|              |  |                   |                     | %                         | %                           | %                        | ThUS\$                          | ThUS\$      | ThUS\$    | ThUS\$      |
| 96.518.860-6 | Lantours Division Servicios Terrestres S.A. and Subsidiaries | Chile             | US\$                | 99.9900                   | 0.0100                      | 100.0000                 | 3,229                           | 2,289       | 940       | 2,078       |
| 96.763.900-1 | Inmobiliaria Aeronáutica S.A.                                | Chile             | US\$                | 99.0100                   | 0.9900                      | 100.0000                 | 39,920                          | 16,854      | 23,066    | (717)       |
| 96.969.680-0 | Lan Pax Group S.A. and Subsidiaries (1)                      | Chile             | US\$                | 99.8361                   | 0.1639                      | 100.0000                 | 640,020                         | 1,065,157   | (426,016) | (114,511)   |
| Foreign      | Lan Perú S.A.  | Peru              | US\$                | 49.0000                   | 21.0000                     | 70.0000                  | 239,470                         | 228,395     | 11,075    | 1,058       |
| Foreign      | Lan Chile Investments Limited and Subsidiaries (1)           | Cayman Islands    | US\$                | 99.9900                   | 0.0100                      | 100.0000                 | 2,015                           | —           | 2,015     | 2,844       |
| 93.383.000-4 | Lan Cargo S.A.   | Chile             | US\$                | 99.8939                   | 0.0041                      | 99.8980                  | 575,979                         | 234,772     | 341,207   | (17,905)    |
| Foreign      | Connecta Corporation   | U.S.A.            | US\$                | 0.0000                    | 100.0000                    | 100.0000                 | 27,431                          | 28,853      | (1,422)   | 740         |
| Foreign      | Prime Airport Services Inc. and Subsidiary (1)               | U.S.A.            | US\$                | 0.0000                    | 100.0000                    | 100.0000                 | 18,120                          | 22,897      | (4,777)   | 107         |
| 96.951.280-7 | Transporte Aéreo S.A.  | Chile             | US\$                | 0.0000                    | 100.0000                    | 100.0000                 | 367,570                         | 147,278     | 220,292   | (19,001)    |
| 96.634.020-7 | Ediciones Ladeco América S.A.                                | Chile             | CLP                 | 0.0000                    | 100.0000                    | 100.0000                 | —                               | 484         | (484)     | —           |
| Foreign      | Aircraft International Leasing Limited                       | U.S.A.            | US\$                | 0.0000                    | 100.0000                    | 100.0000                 | —                               | —           | —         | 2,805       |
| 96.631.520-2 | Fast Air Almacenes de Carga S.A.                             | Chile             | CLP                 | 0.0000                    | 100.0000                    | 100.0000                 | 9,601                           | 3,912       | 5,689     | 893         |
| 96.631.410-9 | Ladeco Cargo S.A.  | Chile             | CLP                 | 0.0000                    | 100.0000                    | 100.0000                 | 346                             | 13          | 333       | 16          |
| Foreign      | Laser Cargo S.R.L.   | Argentina         | ARS                 | 0.0000                    | 100.0000                    | 100.0000                 | 41                              | 138         | (97)      | 12          |
| Foreign      | Lan Cargo Overseas Limited and Subsidiaries (1)              | Bahamas           | US\$                | 0.0000                    | 100.0000                    | 100.0000                 | 60,634                          | 46,686      | 12,218    | (84,603)    |
| 96.969.690-8 | Lan Cargo Inversiones S.A. and Subsidiary (1)                | Chile             | CLP                 | 0.0000                    | 100.0000                    | 100.0000                 | 45,589                          | 59,768      | (12,711)  | (4,276)     |
| 96.575.810-0 | Inversiones Lan S.A. and Subsidiaries (1)                    | Chile             | CLP                 | 99.7100                   | 0.0000                      | 99.7100                  | 16,035                          | 14,746      | 1,272     | (4,473)     |
| Foreign      | TAM S.A. and Subsidiaries (1) (2)                            | Brazil            | BRL                 | 63.0901                   | 36.9099                     | 100.0000                 | 6,817,698                       | 5,809,529   | 912,634   | 171,655     |

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

During 2014 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 250,000.



b) As of December 31, 2013

| Tax No.      | Company  | Country of origin | Functional Currency | Participation rate          |                               |                            | Statement of financial position |                    |               | Net                |
|--------------|--|-------------------|---------------------|-----------------------------|-------------------------------|----------------------------|---------------------------------|--------------------|---------------|--------------------|
|              |  |                   |                     | Direct ownership interest % | Indirect ownership interest % | Total ownership interest % | Assets ThUS\$                   | Liabilities ThUS\$ | Equity 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 on the economic rights. Additionally LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company.

During 2013 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 1,650,000.



c) 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 As of December 31, 2012 |
|--------------|--|-------------------|---------------------|--|-------------------------------|----------------------------|---|--------------------|---------------|------------------------------------|
|              |  |                   |                     | Direct ownership interest %                | Indirect ownership interest % | Total ownership interest % | Assets ThUS\$   | Liabilities ThUS\$ | Equity ThUS\$ | Gain (loss) ThUS\$                 |
| 96.518.860-6 | Lantours Division Servicios Terrestres S.A. And Subsidiaries | Chile             | US\$                | 99.9900                                    | 0.0100                        | 100.0000                   | 2,678   | 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. and Subsidiaries (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 and Guanay Finance Limited, destined to the issuance of securitized bond, as the Company has major risks and benefits associated to them according to standards issued by the International Financial Reporting Standards: Consolidated Financial Statement (IFRS 10) and private investment funds in which the parent company and subsidiaries are contributors.

All the entities controlled have been included in the consolidation.

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

(1) Incorporation or acquisition of companies

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation

The consolidated financial statements of LATAM Airlines Group S.A. are for the period ended December 31, 2014, and have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) incorporated therein and with the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC).

As explained in notes 2.17 and 17, on September 29, 2014 Law No. 20,780 was issued, which introduces modifications to the income tax system in Chile and other tax matters. On October 17, 2014 the Chilean Superintendence of Securities and Insurance (the "SVS") issued Circular No. 856, which established that the effects of the change in the income tax rates on deferred tax assets and liabilities must be recognized directly within "Retained earnings" instead of the income statement as required by IAS 12.



In order to comply with IAS 12, these financial statements are different to those presented to the SVS as the aforementioned effect has been recognized within the income statement. A reconciliation of such differences is presented as follows:

As of December 31, 2014

|                                       | Consolidated<br>Financial<br>Statements<br>for SEC<br>ThUS\$ | Consolidated<br>Financial<br>Statements<br>for SVS<br>ThUS\$ | Difference<br>ThUS\$ |
|---------------------------------------|--|--|----------------------|
| <b>Total Equity</b>                   |  |  |                      |
| <b>Parent's ownership</b>             |  |  |                      |
| Retained earnings                     |  |  |                      |
| Net Income (Loss) for the period      | (259,985)  | (109,790)  | (150,195)            |
| Retained earnings for the last period | 796,175  | 645,980  | 150,195              |
| Total Retained earnings               | <u>536,190</u>   | <u>536,190</u>   | <u>—</u>             |
| <b>Non-controlling</b>                |  |  |                      |
| Retained earnings                     |  |  |                      |
| Net Income (Loss) for the period      | 32,814   | 32,829   | (15)                 |
| Retained earnings for the last period | 17,099   | 17,084   | 15                   |
| Total Retained earnings               | <u>49,913</u>  | <u>49,913</u>  | <u>—</u>             |

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

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

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

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

|  | Date of issue | Mandatory<br>Application:<br>Annual periods<br>beginning on or after |
|--|---------------|--|
| (i) Standards and amendments                             |               |  |
| Amendment to IAS 32: Financial instruments: Presentation | December 2011 | 01/01/2014   |





|  | Date of issue | Mandatory Application: Annual periods beginning on or after                       |
|--|---------------|---|
| (i) Standards and amendments   |               |   |
| Amendments to IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of interests in other entities and IAS 27: Separate financial statements.  | October 2012  | 01/01/2014  |
| Amendment to IAS 36: Impairment of assets  | May 2013      | 01/01/2014<br>The Company adopted in advance this amendment at December 31, 2013. |
| Amendment to IAS 39: Financial instruments: Recognition and measurement  | June 2013     | 01/01/2014  |
| Amendment to IAS 19: Employee Benefits   | November 2013 | 07/01/2014  |
| (ii) Interpretations   |               |   |
| IFRIC 21: Levies   | May 2013      | 01/01/2014  |
| (iii) Improvements   |               |   |
| Improvements to the International Financial Reporting Standards (2012): IFRS 2: Share-based Payment; IFRS 3: Business Combinations Therefore, IFRS 9, IAS 37, and IAS 39 are also modified; IFRS 8: Operating Segments, IFRS 13: Fair Value Measurement, IFRS 9 and IAS 39 were consequently changed; IAS 16: Property, Plant and Equipment, and IAS 38: Intangible Assets; and IAS 24: Related Party Disclosures. | December 2013 | 07/01/2014  |
| Improvements to the International Financial Reporting Standards (2013): IFRS 1: First-time Adoption of International Financial Reporting Standards; IFRS 3: Business Combinations; IFRS 13: Fair Value Measurement; and IAS 40: Investment Property.   | December 2013 | 07/01/2014  |

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



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

|   | Date of issue  | Mandatory Application:<br>Annual periods<br>beginning on or after |
|---|----------------|---|
| (i) Standards and amendments  |                |   |
| IFRS 9: Financial instruments   | December 2009  | 01/01/2018  |
| IFRS 15: Revenue from contracts with customers  | June 2014      | 01/01/2017  |
| Amendment to IFRS 9: Financial instruments.   | November 2013  | 01/01/2018  |
| Amendment to IFRS 11: Joint arrangements.   | May 2014       | 01/01/2016  |
| Amendment to IAS 16: Property, plant and equipment, and IAS 38: Intangible assets.  | May 2014       | 01/01/2016  |
| Amendment to IAS 27: Separate financial statements.   | August 2014    | 01/01/2016  |
| Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures.  | September 2014 | 01/01/2016  |
| Amendment IAS 1: Presentation of Financial Statements   | December 2014  | 01/01/2016  |
| Amendment to IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of Interests in other entities and IAS 28: Investments in associates and joint ventures.   | December 2014  | 01/01/2016  |
| (ii) Improvements   |                |   |
| Improvements to International Financial Reporting Standards (2012-2014 cycle): IFRS 5 Non-current assets held for sale and discontinued operations; IFRS 7 Financial instruments: Disclosures; IAS 19 Employee benefits and IAS 34 Interim financial reporting. | September 2014 | 01/01/2016  |

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



## 2.2. Basis of Consolidation

### (a) Subsidiaries

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

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in profit or loss.

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

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

### (b) Transactions with non-controlling interests

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

### (c) Sales of subsidiaries

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



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

(d) Investees or associates

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

2.3. Foreign currency transactions

(a) Presentation and functional currencies

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

(b) Transactions and balances

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

(c) Group entities

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

(i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;

(ii) The revenues and expenses of each income statement account are translated at the exchange rates prevailing on the transaction dates, and

(iii) All the resultant exchange differences by conversion are shown as a separate component in Other comprehensive income.



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

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

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

#### 2.4. Property, plant and equipment

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

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

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

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

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

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

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



2.5. Intangible assets other than goodwill

(a) Brands, Airport slots and Loyalty program

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

Airport slots – Air transport CGU

Loyalty program – Coalition and loyalty program Multiplus CGU

Brand – Air transport CGU

(See Note 15)

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

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

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

(b) Computer software

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

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

2.6. Goodwill

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

2.7. Borrowing costs

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



## 2.8. Losses for impairment of non-financial assets

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

## 2.9. Financial assets

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

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

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

### (b) Loans and receivables

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

The regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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



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

#### 2.10. Derivative financial instruments and hedging activities

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

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

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

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

##### (a) Fair value hedges

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

##### (b) Cash flow hedges

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

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





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

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

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

(c) Derivatives not booked as a hedge

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

2.11. Inventories

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

2.12. Trade and other accounts receivable

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

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



### 2.13. Cash and cash equivalents

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

### 2.14. Capital

The common shares are classified as net equity.

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

### 2.15. Trade and other accounts payables

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

### 2.16. Interest-bearing loans

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

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

### 2.17. Current and deferred taxes

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

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

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

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



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

#### 2.18. Employee benefits

##### (a) Personnel vacations

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

##### (b) Share-based compensation

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

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

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

##### (d) Incentives

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

#### 2.19. Provisions

Provisions are recognized when:

- (i) The Company has a present legal or implicit obligation as a result of past events;
- (ii) It is probable that payment is going to be necessary to settle an obligation; and
- (iii) The amount has been reliably estimated.



## 2.20. Revenue recognition

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

### (a) Rendering of services

#### (i) Passenger and cargo transport

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

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

#### (ii) Frequent flyer program

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

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

#### (iii) Other revenues

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

### (b) Interest income

Interest income is booked using the effective interest rate method.

### (c) Dividend income

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

## 2.21. Leases

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

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



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

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

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

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

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

2.23. Maintenance

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

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

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

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

2.24. Environmental costs

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



## NOTE 3 - FINANCIAL RISK MANAGEMENT

## 3.1. Financial risk factors

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

## (a) Market risk

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

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

## (i) Fuel-price risk:

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

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

During the period ended December 31, 2014, the Company recognized losses of US\$ 108.7 million on fuel derivative. During the period 2013, the Company recognized gains of US\$ 19.0 million and during the same period 2012 the Company recognized losses of US\$ 1.80 million for the same reason.

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

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

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

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



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

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

Sensitivity analysis

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

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

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

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

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

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

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



(ii) Cash flow interest-rate risk:

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

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

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

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

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

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

Changes in market conditions produce a change in the valuation of current financial instruments hedging interest rates, causing an effect on the Company’s equity (because they are booked as cash-flow hedges). These changes are considered reasonably possible based on current market conditions. The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve.

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





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

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

(iii) Foreign exchange rate risk:

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

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

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

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

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

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

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

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



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

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

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

During the year ended at December 31, 2014 the Company recognized losses of US\$ 3.8 million on hedging FX. During the period of 2013 and 2012 the Company had no current positions for this item, so no compensation is recognized.

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

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

Sensitivity exchange rate LATAM

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

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

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

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



Effects of exchange rate derivatives in the Financial Statements

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

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

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

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

(b) Credit risk

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

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

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

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



(i) Financial activities

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

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

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

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

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

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

Credit quality of financial assets

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

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



(c) Liquidity risk

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

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

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

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



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

| Tax No.                             | Creditor                   | Creditor country | Currency | Up to 90 days to maturity | More than 90 days to maturity | More than one to three years | More than three to five years | More than five years | Total     | Nominal value | Amortization  | Effective rate | Nominal rate |
|-------------------------------------|----------------------------|------------------|----------|---------------------------|-------------------------------|------------------------------|-------------------------------|----------------------|-----------|---------------|---------------|----------------|--------------|
|                                     |                            |                  |          | THUS\$                    | THUS\$                        | THUS\$                       | THUS\$                        | THUS\$               | THUS\$    | THUS\$        |               | %              | %            |
| <b>Loans to exporters</b>           |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | 97,032,000-8 BBVA          | Chile            | US\$     | 100,102                   | —                             | —                            | —                             | —                    | 100,102   | 100,000       | At expiration | 0.40           | 0.40         |
|                                     | 97,036,000-K SANTANDER     | Chile            | US\$     | 45,044                    | —                             | —                            | —                             | —                    | 45,044    | 45,000        | At expiration | 0.34           | 0.34         |
|                                     | 97,006,000-6 ESTADO        | Chile            | US\$     | 55,076                    | —                             | —                            | —                             | —                    | 55,076    | 55,000        | At expiration | 0.52           | 0.52         |
|                                     | 97,030,000-7 BCI           | Chile            | US\$     | 100,157                   | —                             | —                            | —                             | —                    | 100,157   | 100,000       | At expiration | 0.47           | 0.47         |
|                                     | 76,645,030-K ITAU          | Chile            | US\$     | 15,025                    | —                             | —                            | —                             | —                    | 15,025    | 15,000        | At expiration | 0.65           | 0.65         |
|                                     | 97,951,000-4 HSBC          | Chile            | US\$     | 12,010                    | —                             | —                            | —                             | —                    | 12,010    | 12,000        | At expiration | 0.50           | 0.50         |
| <b>Bank loans</b>                   |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | 97,023,000-9 CORPBANCA     | Chile            | UF       | 16,575                    | 48,581                        | 121,945                      | 17,621                        | —                    | 204,722   | 188,268       | Quarterly     | 4.85           | 4.85         |
|                                     | 0-E CITIBANK               | Argentina        | ARS      | 1,298                     | 18,700                        | —                            | —                             | —                    | 19,998    | 17,542        | Monthly       | 31.00          | 31.00        |
|                                     | 0-E BBVA                   | Argentina        | ARS      | 1,713                     | 23,403                        | —                            | —                             | —                    | 25,116    | 21,050        | Monthly       | 33.00          | 33.00        |
|                                     | 97,036,000-K SANTANDER     | U.S.A.           | US\$     | 1,610                     | 3,476                         | 283,438                      | —                             | —                    | 288,524   | 282,967       | Quarterly     | 2.33           | 2.33         |
| <b>Guaranteed obligations</b>       |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | 0-E CREDIT AGRICOLE        | France           | US\$     | 18,670                    | 55,089                        | 109,536                      | 64,101                        | 36,625               | 284,021   | 273,599       | Quarterly     | 1.68           | 1.43         |
|                                     | 0-E BNP PARIBAS            | U.S.A.           | US\$     | 9,634                     | 29,259                        | 80,097                       | 83,020                        | 190,070              | 392,080   | 351,217       | Quarterly     | 2.13           | 2.04         |
|                                     | 0-E WELLS FARGO            | U.S.A.           | US\$     | 35,533                    | 106,692                       | 285,218                      | 286,264                       | 698,052              | 1,411,799 | 1,302,968     | Quarterly     | 2.26           | 1.57         |
|                                     | 0-E CITIBANK               | U.S.A.           | US\$     | 19,149                    | 57,915                        | 156,757                      | 160,323                       | 347,710              | 741,854   | 684,114       | Quarterly     | 2.24           | 1.49         |
|                                     | 97,036,000-K SANTANDER     | Chile            | US\$     | 5,482                     | 16,572                        | 44,925                       | 46,047                        | 73,544               | 186,570   | 180,341       | Quarterly     | 1.32           | 0.78         |
|                                     | 0-E BTMU                   | U.S.A.           | US\$     | 2,931                     | 8,863                         | 24,091                       | 24,778                        | 52,541               | 113,204   | 107,645       | Quarterly     | 1.64           | 1.04         |
|                                     | 0-E APPLE BANK             | U.S.A.           | US\$     | 1,437                     | 4,358                         | 11,849                       | 12,206                        | 26,318               | 56,168    | 53,390        | Quarterly     | 1.63           | 1.03         |
|                                     | 0-E US BANK                | U.S.A.           | US\$     | 18,713                    | 56,052                        | 148,622                      | 147,357                       | 376,792              | 747,536   | 648,158       | Quarterly     | 3.99           | 2.81         |
|                                     | 0-E DEUTSCHE BANK          | U.S.A.           | US\$     | 5,834                     | 17,621                        | 47,600                       | 30,300                        | 78,509               | 179,864   | 155,279       | Quarterly     | 3.25           | 3.25         |
|                                     | 0-E NATIXIS                | France           | US\$     | 11,783                    | 35,803                        | 99,012                       | 98,632                        | 259,912              | 505,142   | 454,230       | Quarterly     | 1.86           | 1.48         |
|                                     | 0-E HSBC                   | U.S.A.           | US\$     | 1,564                     | 4,725                         | 12,738                       | 12,956                        | 31,701               | 63,684    | 59,005        | Quarterly     | 2.29           | 1.81         |
|                                     | 0-E PK AirFinance US, Inc. | U.S.A.           | US\$     | 2,074                     | 6,378                         | 18,091                       | 19,836                        | 28,763               | 75,142    | 69,721        | Monthly       | 1.86           | 1.86         |
|                                     | 0-E KfW IPEX-BANK          | Germany          | US\$     | 696                       | 2,124                         | 6,048                        | 4,587                         | 3,771                | 17,226    | 16,088        | Quarterly     | 2.10           | 2.10         |
| <b>Other guaranteed obligations</b> |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | 0-E DVB BANK SE            | U.S.A.           | US\$     | 8,199                     | 24,623                        | 32,904                       | —                             | —                    | 65,726    | 64,246        | Quarterly     | 2.00           | 2.00         |
|                                     | 0-E CREDIT AGRICOLE        | U.S.A.           | US\$     | 7,864                     | 23,394                        | 62,540                       | —                             | —                    | 93,798    | 91,337        | Quarterly     | 1.73           | 1.73         |
| <b>Financial leases</b>             |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | 0-E ING                    | U.S.A.           | US\$     | 9,137                     | 27,520                        | 58,821                       | 34,067                        | 12,134               | 141,679   | 126,528       | Quarterly     | 4.84           | 4.33         |
|                                     | 0-E CREDIT AGRICOLE        | France           | US\$     | 1,643                     | 5,036                         | 14,152                       | —                             | —                    | 20,831    | 20,413        | Quarterly     | 1.20           | 1.20         |
|                                     | 0-E CITIBANK               | U.S.A.           | US\$     | 6,083                     | 18,250                        | 48,667                       | 48,667                        | 14,262               | 135,929   | 115,449       | Quarterly     | 6.40           | 5.67         |
|                                     | 0-E PEFCO                  | U.S.A.           | US\$     | 17,555                    | 52,678                        | 138,380                      | 67,095                        | 3,899                | 252,205   | 252,205       | Quarterly     | 5.35           | 4.76         |
|                                     | 0-E BNP PARIBAS            | U.S.A.           | US\$     | 11,240                    | 33,917                        | 91,743                       | 60,834                        | 10,974               | 208,708   | 191,672       | Quarterly     | 4.14           | 3.68         |
|                                     | 0-E WELLS FARGO            | U.S.A.           | US\$     | 5,604                     | 16,784                        | 44,705                       | 44,615                        | 46,394               | 158,102   | 139,325       | Quarterly     | 3.98           | 3.53         |
|                                     | 0-E DVB BANK S E           | U.S.A.           | US\$     | 4,701                     | 14,145                        | 33,201                       | —                             | —                    | 52,047    | 50,569        | Quarterly     | 1.89           | 1.89         |
|                                     | 0-E US BANK                | U.S.A.           | US\$     | 326                       | 6,247                         | 5,455                        | —                             | —                    | 12,028    | 11,981        | Monthly       | —              | —            |
|                                     | 0-E BANC OF AMERICA        | U.S.A.           | US\$     | 720                       | 2,118                         | 2,912                        | —                             | —                    | 5,750     | 5,462         | Monthly       | 1.41           | 1.41         |
| <b>Other loans</b>                  |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | 0-E BOEING                 | U.S.A.           | US\$     | —                         | 4,994                         | 180,583                      | —                             | —                    | 185,577   | 179,507       | At expiration | 1.74           | 1.74         |
|                                     | 0-E CITIBANK (*)           | U.S.A.           | US\$     | 6,825                     | 20,175                        | 209,730                      | 209,778                       | 104,852              | 551,360   | 450,000       | Quarterly     | 6.00           | 6.00         |
| <b>Hedging derivatives</b>          |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | OTHERS                     | —                | US\$     | 11,702                    | 30,761                        | 48,667                       | 7,311                         | 245                  | 98,686    | 93,513        | —             | —              | —            |
| <b>Non-hedging derivatives</b>      |                            |                  |          |                           |                               |                              |                               |                      |           |               |               |                |              |
|                                     | OTHERS                     | —                | US\$     | 1,002                     | 628                           | —                            | —                             | —                    | 1,630     | 730           | —             | —              | —            |
|                                     | Total                      |                  |          | 574,711                   | 776,881                       | 2,422,427                    | 1,480,395                     | 2,397,068            | 7,651,482 | 6,985,519     |               |                |              |

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



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Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2014  
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.852/0001-60, Brazil.

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

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

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

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

| Tax No.                             | Creditor        | Creditor country | Currency | Up to 90 days  | More than 90 days to one year | More than one to three years | More than three to five years | More than five years | Total            | Nominal value    | Amortization  | Effective rate % | Nominal rate % |
|-------------------------------------|-----------------|------------------|----------|----------------|-------------------------------|------------------------------|-------------------------------|----------------------|------------------|------------------|---------------|------------------|----------------|
|                                     |                 |                  |          | THUS\$         | THUS\$                        | THUS\$                       | THUS\$                        | THUS\$               | THUS\$           | THUS\$           |               | %                | %              |
| <b>Loans to exporters</b>           |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| 97.032.000-8                        | BBVA            | Chile            | US\$     | —              | 30,100                        | —                            | —                             | —                    | 30,100           | 30,000           | At expiration | 1.00             | 1.00           |
| 97.036.000-K                        | SANTANDER       | Chile            | US\$     | 231,533        | —                             | —                            | —                             | —                    | 231,533          | 230,000          | At expiration | 1.63             | 1.63           |
| 97.030.000-7                        | ESTADO          | Chile            | US\$     | —              | 40,188                        | —                            | —                             | —                    | 40,188           | 40,000           | At expiration | 1.06             | 1.06           |
| 76.100.458-1                        | BLADEX          | Chile            | US\$     | 100,934        | —                             | —                            | —                             | —                    | 100,934          | 100,000          | At expiration | 1.87             | 1.87           |
| <b>Bank loans</b>                   |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| 97.036.000-K                        | SANTANDER       | Chile            | US\$     | 877            | 789                           | 115,051                      | —                             | —                    | 116,717          | 115,051          | At expiration | 3.19             | 3.19           |
| 97.023.000-9                        | CORPBANCA       | Chile            | UF       | 19,001         | 55,465                        | 139,603                      | 84,505                        | —                    | 298,574          | 268,460          | Quarterly     | 4.85             | 4.85           |
| 0-E                                 | CTIBANK         | Argentina        | ARS      | 785            | 15,861                        | —                            | —                             | —                    | 16,646           | 15,335           | Monthly       | 20.75            | 20.75          |
| 0-E                                 | BBVA            | Argentina        | ARS      | 1,668          | 30,029                        | —                            | —                             | —                    | 31,697           | 27,603           | Monthly       | 23.78            | 23.78          |
| <b>Guaranteed obligations</b>       |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| 0-E                                 | ING             | U.S.A.           | US\$     | 4,031          | 12,065                        | 32,213                       | 32,203                        | 28,234               | 108,746          | 91,543           | Quarterly     | 5.69             | 5.01           |
| 0-E                                 | CREDIT AGRICOLE | France           | US\$     | 11,862         | 35,886                        | 83,920                       | 10,139                        | —                    | 141,807          | 140,312          | Quarterly     | 1.99             | 1.99           |
| 0-E                                 | PERCO           | U.S.A.           | US\$     | 2,280          | 6,839                         | —                            | —                             | —                    | 9,119            | 8,964            | Quarterly     | 3.06             | 2.73           |
| 0-E                                 | BNP PARIBAS     | U.S.A.           | US\$     | 11,325         | 34,296                        | 93,368                       | 96,444                        | 237,865              | 473,298          | 418,254          | Quarterly     | 2.45             | 2.47           |
| 0-E                                 | WELLS FARGO     | U.S.A.           | US\$     | 55,235         | 165,469                       | 439,680                      | 437,387                       | 1,205,577            | 2,303,348        | 2,099,776        | Quarterly     | 2.47             | 1.76           |
| 0-E                                 | CTIBANK         | U.S.A.           | US\$     | 11,540         | 34,748                        | 93,687                       | 95,226                        | 168,917              | 404,118          | 372,191          | Quarterly     | 2.64             | 2.04           |
| 97.036.000-K                        | SANTANDER       | Chile            | US\$     | 5,420          | 16,374                        | 44,359                       | 45,459                        | 96,694               | 208,306          | 200,599          | Quarterly     | 1.32             | 0.78           |
| 0-E                                 | BTMU            | U.S.A.           | US\$     | 2,891          | 8,741                         | 23,742                       | 24,417                        | 62,461               | 124,796          | 118,070          | Quarterly     | 1.64             | 1.04           |
| 0-E                                 | APPLE BANK      | U.S.A.           | US\$     | 1,418          | 4,292                         | 11,671                       | 12,017                        | 32,461               | 61,859           | 58,502           | Quarterly     | 1.63             | 1.04           |
| 0-E                                 | US BANK         | U.S.A.           | US\$     | 18,699         | 56,022                        | 148,643                      | 147,528                       | 449,705              | 820,597          | 703,992          | Quarterly     | 2.81             | 2.81           |
| 0-E                                 | DEUTSCHE BANK   | U.S.A.           | US\$     | 5,760          | 17,500                        | 47,175                       | 39,021                        | 93,773               | 203,229          | 173,036          | Quarterly     | 3.27             | 3.27           |
| <b>Other guaranteed obligations</b> |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| 0-E                                 | DVB BANK SE     | U.S.A.           | US\$     | 8,178          | 24,564                        | 65,726                       | —                             | —                    | 98,468           | 95,292           | Quarterly     | 1.99             | 1.99           |
| <b>Financial leases</b>             |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| 0-E                                 | ING             | U.S.A.           | US\$     | 5,028          | 15,205                        | 39,703                       | 9,324                         | —                    | 69,260           | 65,076           | Quarterly     | 3.23             | 3.03           |
| 0-E                                 | CREDIT AGRICOLE | France           | US\$     | 5,086          | 14,599                        | 31,434                       | 24,647                        | 17,415               | 93,181           | 89,514           | Quarterly     | 1.21             | 1.21           |
| 0-E                                 | CTIBANK         | U.S.A.           | US\$     | 2,009          | 6,028                         | 16,075                       | 16,075                        | 8,038                | 48,225           | 40,564           | Quarterly     | 6.38             | 5.65           |
| 0-E                                 | PERCO           | U.S.A.           | US\$     | 17,566         | 52,678                        | 140,462                      | 115,934                       | 23,211               | 349,851          | 308,774          | Quarterly     | 5.35             | 4.23           |
| 0-E                                 | BNP PARIBAS     | U.S.A.           | US\$     | 7,984          | 24,056                        | 64,890                       | 59,475                        | 7,139                | 163,544          | 147,334          | Quarterly     | 4.65             | 4.15           |
| 0-E                                 | BANC OF AMERICA | U.S.A.           | US\$     | 703            | 2,099                         | 5,628                        | —                             | —                    | 8,430            | 7,899            | Monthly       | 1.43             | 1.43           |
| <b>Other loans</b>                  |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| 0-E                                 | BOEING          | U.S.A.           | US\$     | —              | 2,804                         | 172,128                      | —                             | —                    | 174,932          | 170,838          | At expiration | 1.75             | 1.75           |
| 0-E                                 | CTIBANK (*)     | U.S.A.           | US\$     | 9,750          | 20,100                        | 131,865                      | 209,810                       | 209,684              | 581,209          | 450,000          | Quarterly     | 6.00             | 6.00           |
| <b>Hedging derivatives</b>          |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| —                                   | OTHERS          | —                | US\$     | 11,005         | 30,495                        | 59,829                       | 16,561                        | 614                  | 118,504          | 112,819          | —             | —                | —              |
| <b>Non-hedging derivatives</b>      |                 |                  |          |                |                               |                              |                               |                      |                  |                  |               |                  |                |
| —                                   | OTHERS          | —                | US\$     | 1,120          | 3,203                         | 1,618                        | —                             | —                    | 5,941            | 5,562            | —             | —                | —              |
| <b>Total</b>                        |                 |                  |          | <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.



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Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013  
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

| Tax No.                 | Creditor                                   | Creditor country | Currency | Up to 90 days  | More than 90 days to one year | More than one to three years | More than three to five years | More than five years | Total            | Nominal value    | Amortization         | Effective rate % | Nominal rate % |
|-------------------------|--|------------------|----------|----------------|-------------------------------|------------------------------|-------------------------------|----------------------|------------------|------------------|----------------------|------------------|----------------|
|                         |  |                  |          | THUS\$         | THUS\$                        | THUS\$                       | THUS\$                        | THUS\$               | THUS\$           | THUS\$           |                      | %                | %              |
| <b>Bank loans</b>       |  |                  |          |                |                               |                              |                               |                      |                  |                  |                      |                  |                |
| 0-E                     | CITIBANK                                   | Brazil           | US\$     | 2,410          | 44,071                        | —                            | —                             | —                    | 46,481           | 43,885           | At Expiration        | 3.76             | 3.20           |
| 0-E                     | BANCO DO BRASIL S.A.                       | Brazil           | US\$     | 9,803          | 135,450                       | —                            | —                             | —                    | 145,253          | 137,849          | At Expiration        | 5.20             | 4.66           |
| 0-E                     | BANCO ITAU BBA                             | Brazil           | US\$     | 29,142         | 50,737                        | —                            | —                             | —                    | 79,879           | 73,830           | At Expiration        | 6.31             | 4.73           |
| 0-E                     | BANCO SAFRA                                | Brazil           | US\$     | 43,211         | 22,986                        | —                            | —                             | —                    | 66,197           | 62,357           | At Expiration        | 3.73             | 2.94           |
| 0-E                     | BANCO SAFRA                                | Brazil           | BRL      | 200            | 447                           | 52                           | —                             | —                    | 699              | 684              | Monthly              | 7.42             | 7.42           |
| 0-E                     | BANCO BRADESCO                             | Brazil           | US\$     | 79,995         | 50,686                        | —                            | —                             | —                    | 130,681          | 122,341          | At Expiration        | 3.87             | 3.29           |
| 0-E                     | BANCO BRADESCO                             | Brazil           | BRL      | —              | 44,986                        | —                            | —                             | —                    | 44,986           | 42,688           | At Expiration        | 10.63            | 10.15          |
| 0-E                     | NEDERLANDSCHE CREDITVERZEKERING            | Holland          | US\$     | 186            | 495                           | 1,320                        | 1,320                         | 2,035                | 5,356            | 4,215            | Monthly              | 6.01             | 6.01           |
| 0-E                     | MAATSCHAPPI                                | Holland          | US\$     | —              | —                             | —                            | —                             | —                    | —                | —                | —                    | —                | —              |
| 0-E                     | Obligation with the public                 |                  |          |                |                               |                              |                               |                      |                  |                  |                      |                  |                |
| 0-E                     | THE BANK OF NEW YORK                       | U.S.A.           | US\$     | 34,010         | 80,251                        | 190,343                      | 457,367                       | 953,212              | 1,715,183        | 1,100,000        | At Expiration        | 8.60             | 8.41           |
| <b>Financial leases</b> |  |                  |          |                |                               |                              |                               |                      |                  |                  |                      |                  |                |
| 0-E                     | AFS INVESTMENT IX LLC                      | U.S.A.           | US\$     | 2,850          | 7,728                         | 20,609                       | 20,609                        | 18,892               | 70,688           | 58,321           | Monthly              | 1.25             | 1.25           |
| 0-E                     | AIR CANADA                                 | U.S.A.           | US\$     | 1,325          | 1,645                         | —                            | —                             | —                    | 2,970            | 2,970            | Monthly              | —                | —              |
| 0-E                     | AIRBUS FINANCIAL                           | U.S.A.           | US\$     | 3,546          | 10,405                        | 28,944                       | 21,867                        | 15,758               | 80,520           | 75,352           | Monthly              | 1.42             | 1.42           |
| 0-E                     | AWAS                                       | U.S.A.           | US\$     | 5,651          | 4,432                         | —                            | —                             | —                    | 10,083           | 5,651            | Monthly              | —                | —              |
| 0-E                     | BNP PARIBAS                                | U.S.A.           | US\$     | 722            | 2,008                         | 5,705                        | 6,283                         | 8,648                | 23,366           | 22,082           | Quarterly            | 1.00             | 1.00           |
| 0-E                     | BNP PARIBAS                                | France           | US\$     | 872            | 2,397                         | 6,387                        | 6,394                         | 10,385               | 26,435           | 22,359           | Quarterly            | 0.86             | 0.75           |
| 0-E                     | CITIBANK                                   | England          | US\$     | 7,059          | 20,021                        | 48,442                       | 50,209                        | 109,870              | 235,601          | 222,500          | Quarterly            | 1.03             | 0.90           |
| 0-E                     | CREDIT AGRICOLE-CIB                        | U.S.A.           | US\$     | 4,971          | 14,177                        | 57,595                       | 12,297                        | 14,308               | 103,348          | 97,945           | Quarterly            | 1.40             | 1.40           |
| 0-E                     | CREDIT AGRICOLE-CIB                        | France           | US\$     | 8,834          | 26,771                        | 61,037                       | 51,629                        | 53,270               | 201,541          | 195,396          | Semiannual/Quarterly | 0.75             | 0.65           |
| 0-E                     | DVB BANK SE                                | Germany          | US\$     | 3,386          | 9,812                         | 12,717                       | —                             | —                    | 25,915           | 25,000           | Quarterly            | 2.50             | 2.50           |
| 0-E                     | DVB BANK SE                                | U.S.A.           | US\$     | 214            | 621                           | 1,243                        | 284                           | —                    | 2,362            | 2,279            | Monthly              | 1.75             | 1.75           |
| 0-E                     | GENERAL ELECTRIC CAPITAL CORPORATION       | U.S.A.           | US\$     | 3,709          | 48,803                        | —                            | —                             | —                    | 52,512           | 51,978           | Monthly              | 1.25             | 1.25           |
| 0-E                     | HSBC                                       | France           | US\$     | 1,611          | 4,480                         | 12,148                       | 12,461                        | 37,705               | 68,405           | 64,296           | Quarterly            | 1.45             | 1.25           |
| 0-E                     | KFW IPEX-BANK                              | Germany          | US\$     | 4,463          | 13,067                        | 30,880                       | 21,672                        | 18,232               | 88,314           | 82,718           | Monthly/Quarterly    | 1.74             | 1.74           |
| 0-E                     | NATIXIS                                    | France           | US\$     | 9,619          | 20,117                        | 58,917                       | 62,444                        | 124,621              | 275,718          | 246,128          | Semiannual/Quarterly | 2.81             | 2.78           |
| 0-E                     | PK AIRFINANCE US, INC.                     | U.S.A.           | US\$     | 3,491          | 10,137                        | 43,583                       | 19,001                        | 38,965               | 115,177          | 106,403          | Monthly              | 1.71             | 1.71           |
| 0-E                     | WACAPOU LEASING S.A.                       | Luxemburg        | US\$     | 632            | 1,679                         | 3,943                        | 3,209                         | 14,585               | 24,048           | 21,737           | Quarterly            | 2.00             | 2.00           |
| 0-E                     | SOCIETE GENERALE NORTHWEST N.A.            | U.S.A.           | US\$     | 1,781          | 1,427                         | —                            | —                             | —                    | 3,208            | 3,194            | Monthly              | 1.25             | 1.25           |
| 0-E                     | SOCIETE GENERALE MILAN BRANCH              | Italy            | US\$     | 39,557         | 39,557                        | 96,309                       | 102,366                       | 105,460              | 357,805          | 334,095          | Quarterly            | 3.86             | 3.78           |
| 0-E                     | THE TORONTO-DOMINION BANK                  | U.S.A.           | US\$     | 580            | 1,673                         | 4,534                        | 4,645                         | 6,619                | 18,051           | 17,394           | Quarterly            | 0.57             | 0.57           |
| 0-E                     | BANCO DE LAGE LANDEN BRASIL S.A            | Brazil           | BRL      | 224            | 676                           | —                            | —                             | —                    | 900              | 963              | Monthly              | 10.38            | 10.38          |
| 0-E                     | BANCO IBM S.A                              | Brazil           | BRL      | 184            | 205                           | 630                          | 306                           | —                    | 1,325            | 1,050            | Monthly              | 10.58            | 10.58          |
| 0-E                     | HP FINANCIAL SERVICE                       | Brazil           | BRL      | 376            | 960                           | 2,507                        | 313                           | —                    | 4,156            | 3,559            | Monthly              | 9.90             | 9.90           |
| 0-E                     | SOCIETE AIR FRANCE                         | France           | EUR      | 847            | 1,258                         | —                            | —                             | —                    | 2,105            | 1,379            | Monthly              | 6.82             | 6.82           |
| <b>Other loans</b>      |  |                  |          |                |                               |                              |                               |                      |                  |                  |                      |                  |                |
| 0-E                     | COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO | Brazil           | BRL      | 27,244         | 537                           | —                            | —                             | —                    | 27,781           | 27,781           | Monthly              | 2.38             | 2.38           |
| 0-E                     | OTHERS                                     | Brazil           | US\$     | 496            | 1,156                         | —                            | —                             | —                    | 1,652            | 1,652            | —                    | —                | —              |
| <b>Total</b>            |  |                  |          | <u>307,757</u> | <u>675,858</u>                | <u>687,845</u>               | <u>854,676</u>                | <u>1,532,565</u>     | <u>4,058,701</u> | <u>3,282,121</u> |                      |                  |                |



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

| Tax No. | Creditor   | Creditor country | Currency   | Up to 90 days | More than 90 days to one year | More than one year to three years | More than three years to five years | More than five years | Total      | Nominal value | Amortization | Effective rate | Nominal rate |
|---------|--|------------------|------------|---------------|-------------------------------|-----------------------------------|-------------------------------------|----------------------|------------|---------------|--------------|----------------|--------------|
|         |  |                  |            | THUS\$        | THUS\$                        | THUS\$                            | THUS\$                              | THUS\$               | THUS\$     | THUS\$        |              | %              | %            |
|         | Trade and other accounts payables                  |                  |            |               |                               |                                   |                                     |                      |            |               |              |                |              |
|         | OTHERS   | OTHERS           | US\$       | 814,354       | 7,245                         | —                                 | —                                   | —                    | 821,599    | 821,599       | —            | —              | —            |
|         |  | US\$             | CLP        | 1,104         | 3,318                         | —                                 | —                                   | —                    | 4,422      | 4,141         | Quarterly    | 2.01           | 2.01         |
|         |  | CLP              | BRL        | 16,364        | 6                             | —                                 | —                                   | —                    | 16,370     | 16,370        | —            | —              | —            |
|         |  | BRL              | BRL        | 193,189       | 8                             | —                                 | —                                   | —                    | 193,197    | 193,197       | —            | —              | —            |
|         |  | BRL              | Others     | 5,220         | 14,878                        | —                                 | —                                   | —                    | 20,098     | 14,569        | Monthly      | 8.99           | 8.99         |
|         |  | Others           | currencies | 213,904       | 615                           | —                                 | —                                   | —                    | 214,519    | 214,519       | —            | —              | —            |
|         | Accounts payable, non-current                      |                  |            |               |                               |                                   |                                     |                      |            |               |              |                |              |
|         | OTHERS   | OTHERS           | US\$       | —             | —                             | 11,557                            | —                                   | —                    | 11,557     | 11,400        | Quarterly    | 2.01           | 2.01         |
|         |  | BRL              | BRL        | —             | —                             | 42,743                            | 54,907                              | 199,200              | 296,850    | 124,481       | Monthly      | 8.99           | 8.99         |
|         | Accounts payable to related parties current        |                  |            |               |                               |                                   |                                     |                      |            |               |              |                |              |
|         | 96,847,880-K LUFTHANSA LAN TECHNICAL TRAINING S.A. | Chile            | US\$       | 187           | —                             | —                                 | —                                   | —                    | 187        | 187           | —            | —              | —            |
|         | 78,591,370-1 BETHIA S.A. AND SUBSIDIARIES          | Chile            | CLP        | 14            | —                             | —                                 | —                                   | —                    | 14         | 14            | —            | —              | —            |
|         | 0-E INVERSORA AERONAUTICA ARGENTINA                | Argentina        | US\$       | 304           | —                             | —                                 | —                                   | —                    | 304        | 304           | —            | —              | —            |
|         | Total  |                  |            | 1,244,640     | 26,070                        | 54,300                            | 54,907                              | 199,200              | 1,579,117  | 1,400,781     |              |                |              |
|         | Total consolidated                                 |                  |            | 2,106,085     | 1,462,423                     | 2,744,615                         | 2,385,755                           | 4,376,097            | 13,074,975 | 11,388,262    |              |                |              |

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The Company has fuel, interest rate and exchange rate hedging strategies involving derivatives contracts with different financial institutions. The Company has margin facilities with each financial institution in order to regulate the mutual exposure produced by changes in the market valuation of the derivatives.

At the end of 2013, the Company provided US\$ 94.3 million in derivative margin guarantees, for cash and stand-by letters of credit. At December 31, 2014, the Company had provided US\$ 91.8 million in guarantees for Cash and cash equivalent and stand-by letters of credit. The fall was due at i) maturity of hedge contracts, ii) acquire of new fuel purchase contracts, and iii) changes in fuel prices, exchange rate R\$/US\$ and interest rates.

### 3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to safeguard it in order to continue as an on-going business, (ii) to seek a return for its shareholders, and (iii) to maintain an optimum capital structure and reduce its costs.

In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors the adjusted leverage ratio, in line with industry practice. This ratio is calculated as net adjusted debt divided by the sum of adjusted equity and net adjusted debt. Net adjusted debt is total financial debt plus 8 times the operating lease payments of the last 12 months, less total cash (measured as the sum of cash and cash equivalents plus marketable securities). Adjusted capital is the amount of net equity without the impact of the market value of derivatives.

The Company's strategy, which has not changed since 2007, has consisted of maintaining an adjusted leverage 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 2, 2014 a new long-term rating for the Company of BB with negative perspective (which is not an investment grade rating). Additionally, on June 10, 2013, S&P issued a long term rating of BB, with a positive outlook.



Adjusted leverage ratios:

|  | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|--|---|---|
| Total financial loans                          | 8,817,215                               | 9,830,866                               |
| Last twelve months Operating lease payment x 8 | 4,171,072                               | 3,528,616                               |
| Less:  |   |   |
| Cash and marketable securities                 | (1,533,770)                             | (2,561,574)                             |
| Total net adjusted debt                        | <u>11,454,517</u>                       | <u>10,797,908</u>                       |
| Net Equity                                     | 4,401,896                               | 5,238,821                               |
| Cash flow hedging reserve                      | 151,340                                 | 34,508                                  |
| Adjusted equity                                | <u>4,553,236</u>                        | <u>5,273,329</u>                        |
| Total adjusted debt and equity                 | <u>16,007,753</u>                       | <u>16,071,237</u>                       |
| Adjusted leverage                              | 71.6%                                   | 67.2%                                   |

See information related to financial covenants in Note 31 (a).

3.3. Estimates of fair value.

At December 31, 2014, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

1. Hedge Instruments:

This category includes the following instruments:

- Interest rate derivative contracts,
- Fuel derivative contracts,
- Currency derivative contracts

2. Financial Investments:

This category includes the following instruments:

- Investments in short-term Mutual Funds (cash equivalent),
- Bank certificate of deposit – CBD,
- Private investment funds



The Company has classified the fair value measurement using a hierarchy that reflects the level of information used in the assessment. This hierarchy consists of 3 levels (I) fair value based on quoted prices in active markets for identical assets or liabilities, (II) fair value calculated through valuation methods based on inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and (III) fair value based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets, such as investments acquired for trading, is based on quoted market prices at the close of the period using the current price of the buyer. The fair value of financial assets not traded in active markets (derivative contracts) is determined using valuation techniques that maximize use of available market information. Valuation techniques generally used by the Company are quoted market prices of similar instruments and / or estimating the present value of future cash flows using forward price curves of the market at period end.



The following table shows the classification of financial instruments at fair value, depending on the level of information used in the assessment:

|  | As of December 31, 2014 |   |                    |                     | As of December 31, 2013 |   |                    |                     |
|--|-------------------------|---|--------------------|---------------------|-------------------------|---|--------------------|---------------------|
|  | Fair value<br>ThUS\$    | Fair value measurements using<br>values considered as |                    |                     | Fair value<br>ThUS\$    | Fair value measurements using<br>values considered as |                    |                     |
|  |                         | Level I<br>ThUS\$                                     | Level II<br>ThUS\$ | Level III<br>ThUS\$ |                         | Level I<br>ThUS\$                                     | Level II<br>ThUS\$ | Level III<br>ThUS\$ |
| <b>Assets</b>  |                         |   |                    |                     |                         |   |                    |                     |
| Cash and cash equivalents  | 200,753                 | 200,753   | —                  | —                   | 579,349                 | 579,349   | —                  | —                   |
| Short-term mutual funds  | 200,753                 | 200,753   | —                  | —                   | 579,349                 | 579,349   | —                  | —                   |
| Other financial assets, current  | 546,535                 | 526,081   | 20,454             | —                   | 625,086                 | 546,116   | 78,970             | —                   |
| Fair value of interest rate derivatives                                | 1                       | —   | 1                  | —                   | 6                       | —   | 6                  | —                   |
| Fair value of fuel derivatives   | 1,783                   | —   | 1,783              | —                   | 15,868                  | —   | 15,868             | —                   |
| Fair value of foreign currency derivatives                             | —                       | —   | —                  | —                   | 32,058                  | —   | 32,058             | —                   |
| Interest accrued since the last payment date<br>of Cross Currency Swap | 377                     | —   | 377                | —                   | 483                     | —   | 483                | —                   |
| Private investment funds   | 480,777                 | 480,777   | —                  | —                   | 544,182                 | 544,182   | —                  | —                   |
| Certificate of deposit CDB   | 18,293                  | —   | 18,293             | —                   | 2,374                   | —   | 2,374              | —                   |
| Domestic and foreign bonds   | 41,111                  | 41,111  | —                  | —                   | 351                     | 351   | —                  | —                   |
| Time deposit   | —                       | —   | —                  | —                   | 28,181                  | —   | 28,181             | —                   |
| Other investments  | 4,193                   | 4,193   | —                  | —                   | 1,583                   | 1,583   | —                  | —                   |
| <b>Liabilities</b>   |                         |   |                    |                     |                         |   |                    |                     |
| Other financial liabilities, current                                   | 227,233                 | —   | 227,233            | —                   | 70,506                  | —   | 70,506             | —                   |
| Fair value of interest rate derivatives                                | 26,395                  | —   | 26,395             | —                   | 32,070                  | —   | 32,070             | —                   |
| Fair value of fuel derivatives   | 157,233                 | —   | 157,233            | —                   | —                       | —   | —                  | —                   |
| Fair value of foreign currency derivatives                             | 37,242                  | —   | 37,242             | —                   | 28,621                  | —   | 28,621             | —                   |
| Interest accrued since the last payment date<br>of Currency Swap       | 5,173                   | —   | 5,173              | —                   | 5,775                   | —   | 5,775              | —                   |
| Interest rate derivatives not recognized as a<br>hedge                 | 1,190                   | —   | 1,190              | —                   | 4,040                   | —   | 4,040              | —                   |
| Other financial liabilities, non current                               | 28,327                  | —   | 28,327             | —                   | 56,397                  | —   | 56,397             | —                   |
| Fair value of interest rate derivatives                                | 28,327                  | —   | 28,327             | —                   | 54,906                  | —   | 54,906             | —                   |
| Interest rate derivatives not recognized as a<br>hedge                 | —                       | —   | —                  | —                   | 1,491                   | —   | 1,491              | —                   |



Additionally, at December 31, 2014, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

|   | As of December 31, 2014 |            | As of December 31, 2013 |            |
|---|-------------------------|------------|-------------------------|------------|
|   | Book value              | Fair value | Book value              | Fair value |
|   | ThUS\$                  | ThUS\$     | ThUS\$                  | ThUS\$     |
| Cash and cash equivalents                   | 788,643                 | 788,643    | 1,405,554               | 1,405,554  |
| Cash on hand                                | 11,568                  | 11,568     | 6,017                   | 6,017      |
| Bank balance                                | 239,514                 | 239,514    | 229,935                 | 229,935    |
| Overnight                                   | 154,666                 | 154,666    | 508,781                 | 508,781    |
| Time deposits                               | 382,895                 | 382,895    | 660,821                 | 660,821    |
| Other financial assets, current             | 103,866                 | 103,866    | 84,858                  | 84,858     |
| Other financial assets                      | 103,866                 | 103,866    | 84,858                  | 84,858     |
| Trade and other accounts receivable current | 1,378,837               | 1,378,837  | 1,633,094               | 1,633,094  |
| Accounts receivable from related entities   | 308                     | 308        | 628                     | 628        |
| Other financial assets, non current         | 84,986                  | 84,986     | 65,289                  | 65,289     |
| Accounts receivable                         | 30,465                  | 30,465     | 100,775                 | 100,775    |
| Other financial liabilities, current        | 1,397,382               | 1,446,100  | 1,969,281               | 2,128,096  |
| Trade and other accounts payables           | 1,489,396               | 1,489,396  | 1,557,736               | 1,557,736  |
| Accounts payable to related entities        | 35                      | 35         | 505                     | 505        |
| Other financial liabilities, non current    | 7,360,685               | 8,319,022  | 7,803,588               | 7,910,446  |
| Accounts payable, non-current               | 577,454                 | 577,454    | 922,887                 | 922,887    |

The book values of accounts receivable and payable are assumed to approximate their fair values, due to their short-term nature. In the case of cash on hand, bank balances, overnight, time deposits and accounts payable, non-current, fair value approximates their carrying values.

The fair value of Other financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments. In the case of Other financial assets, the valuation was performed according to market prices at period end.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and book some of the assets, liabilities, revenues, expenses and commitments; these relate principally to:

- (a) The evaluation of possible impairment losses for certain assets.
- (b) The useful lives and residual values of fixed and intangible assets.





- (c) The criteria employed in the valuation of certain assets.
- (d) Air tickets sold that are not actually used.
- (e) The calculation of deferred income at the end of the period, corresponding to the valuation of kilometers or points credited to holders of the loyalty programs which have not yet been used.
- (f) The need for provisions and where required, the determination of their values.
- (g) The recoverability of deferred tax assets.

These estimates are made on the basis of the best information available on the matters analyzed.

In any case, it is possible that events will require modification of the estimates in the future, in which case the effects would be accounted for prospectively.

The management has applied judgment in determining that LATAM Airlines Group S.A. has control over TAM S.A. and Subsidiaries for accounting purposes and therefore has consolidated their financial statements. This judgment is made on the basis that LATAM issued their ordinary shares in exchange for all of the outstanding common and preferred shares of TAM, except those shareholders of TAM who did not accept exchange and which were subject of the squeeze-out entitling LATAM to substantially all of the economic benefits that will be generated by the LATAM Group and also, consequently, exposing it to substantially all the risks incidental to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the TAM controlling shareholders, ensuring that the shareholders and directors of TAM will have no incentive to exercise their rights in a manner that is beneficial to TAM but detrimental to LATAM. Further, all significant actions required for the operation of the airlines require the affirmative vote of both LATAM and the TAM controlling shareholders.

Since the integration of LAN and TAM operations, most critical airline activities in Brazil have been managed under the TAM CEO and global activities have been managed by the LATAM CEO, who is in charge of the overall operation of the LATAM Group and who reports to the LATAM board. Further, the LATAM CEO evaluates performance of the LATAM Group executives and, together with the LATAM board, determines compensation. Although there are restrictions on voting interests that currently may be held by foreign investors under Brazilian law, LATAM believes that the economic substance of these arrangements satisfies the requirements established by the applicable accounting standards and that consolidation by LATAM of TAM's operations is appropriate.



NOTE 5 - SEGMENTAL INFORMATION

The Company has determined that it has two operating segments: the air transportation business and the coalition and loyalty program Multiplus.

The Air transport segment corresponds to the route network for air transport and it is based on the way that the business is run and managed, according to the centralized nature of its operations, the ability to open and close routes and reallocate resources (aircraft, crew, staff, etc.) within the network, which is a functional relationship between all of them, making them inseparable. This segment definition is the most common level used by the global airline industry.

The segment of loyalty coalition called Multiplus, unlike LanPass and TAM Fidelidade, is a frequent flyer programs which operate as a unilateral system of loyalty that offers a flexible coalition system, interrelated among its members, with 13.8 million of members, along with being a government entity with a separately business and not directly related to air transport.



(a) For the periods ended

|   | Air transportation<br>At December 31, |                |                | Coalition and<br>loyalty program<br>Multiplus |                |                | Eliminations<br>At December 31, |                |                | Consolidated<br>At December 31, |                |                |
|---|---------------------------------------|----------------|----------------|---|----------------|----------------|---------------------------------|----------------|----------------|---------------------------------|----------------|----------------|
|   | 2014<br>THUS\$                        | 2013<br>THUS\$ | 2012<br>THUS\$ | 2014<br>THUS\$                                | 2013<br>THUS\$ | 2012<br>THUS\$ | 2014<br>THUS\$                  | 2013<br>THUS\$ | 2012<br>THUS\$ | 2014<br>THUS\$                  | 2013<br>THUS\$ | 2012<br>THUS\$ |
| Income from ordinary activities from external customers (*)                     | 11,587,224                            | 12,328,634     | 9,380,181      | 506,277                                       | 595,903        | 330,191        | —                               | —              | —              | 12,093,501                      | 12,924,537     | 9,710,372      |
| LAN passenger   | 4,464,761                             | 4,731,296      | 4,529,099      | —   | —              | —              | —                               | —              | —              | 4,464,761                       | 4,731,296      | 4,529,099      |
| TAM passenger   | 5,409,084                             | 5,734,359      | 3,107,555      | 506,277                                       | 595,903        | 330,191        | —                               | —              | —              | 5,915,361                       | 6,330,262      | 3,437,746      |
| Freight   | 1,713,379                             | 1,862,979      | 1,743,527      | —   | —              | —              | —                               | —              | —              | 1,713,379                       | 1,862,979      | 1,743,527      |
| Income from ordinary activities from transactions with other operating segments | 506,277                               | 595,903        | 330,191        | 106,030                                       | 94,457         | 52,175         | (612,307)                       | (690,360)      | (382,366)      | —                               | —              | —              |
| Other operating income  | 217,390                               | 272,640        | 207,273        | 160,255                                       | 68,925         | 26,696         | —                               | —              | (13,813)       | 377,645                         | 341,565        | 220,156        |
| Interest income   | 32,390                                | 49,737         | 51,004         | 58,110  | 34,280         | 26,485         | —                               | (11,189)       | —              | 90,500                          | 72,828         | 77,489         |
| Interest expense  | (430,030)                             | (472,171)      | (294,448)      | (4)   | (1,542)        | (150)          | —                               | 11,189         | —              | (430,034)                       | (462,524)      | (294,598)      |
| Total net interest expense  | (397,640)                             | (422,434)      | (243,444)      | 58,106  | 32,738         | 26,335         | —                               | —              | —              | (339,534)                       | (389,696)      | (217,109)      |

(\*) The Company does not have any interest revenue that should be recognized as income from ordinary activities by interest.

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For the periods ended

|   | Air transportation<br>At December 31, |             |            | Coalition and loyalty program<br>Multiplus<br>At December 31, |           |           | Eliminations<br>At December 31, |          |           | Consolidated<br>At December 31, |             |            |
|---|---------------------------------------|-------------|------------|---|-----------|-----------|---------------------------------|----------|-----------|---------------------------------|-------------|------------|
|   | 2014                                  | 2013        | 2012       | 2014  | 2013      | 2012      | 2014                            | 2013     | 2012      | 2014                            | 2013        | 2012       |
|   | THUS\$                                | THUS\$      | THUS\$     | THUS\$  | THUS\$    | THUS\$    | THUS\$                          | THUS\$   | THUS\$    | THUS\$                          | THUS\$      | THUS\$     |
| Depreciation and amortization                           | (983,847)                             | (1,037,734) | (770,264)  | (7,417)   | (3,999)   | (849)     | —                               | —        | —         | (991,264)                       | (1,041,733) | (771,113)  |
| Material non-cash items and other depreciation          | (168,573)                             | (523,666)   | 33,497     | (2,350)   | 59        | (1,559)   | —                               | —        | —         | (170,923)                       | (523,607)   | 31,938     |
| Disposal of fixed assets and inventory losses           | (28,756)                              | (33,987)    | (21,990)   | (814)   | (123)     | (1,597)   | —                               | —        | —         | (29,570)                        | (34,110)    | (23,587)   |
| Doubtful accounts                                       | (9,637)                               | (7,754)     | (11,233)   | (1,522)   | 217       | 95        | —                               | —        | —         | (11,159)                        | (7,537)     | (11,138)   |
| Exchange differences                                    | (130,187)                             | (482,139)   | 66,742     | (14)  | (35)      | (57)      | —                               | —        | —         | (130,201)                       | (482,174)   | 66,685     |
| Result of indexation units                              | 7                                     | 214         | (22)       | —   | —         | —         | —                               | —        | —         | 7                               | 214         | (22)       |
| Income (loss) attributable to owners of the parents     | (404,346)                             | (389,040)   | (81,222)   | 144,361   | 107,926   | 62,146    | —                               | —        | —         | (259,985)                       | (281,114)   | (19,076)   |
| Participation of the entity in the income of associates | (2,175)                               | 1,954       | 972        | (4,280)   | —         | —         | —                               | —        | —         | (6,455)                         | 1,954       | 972        |
| Expenses for income tax                                 | (218,503)                             | 72,155      | (72,324)   | (73,901)  | (52,086)  | (30,062)  | —                               | —        | —         | (292,404)                       | 20,069      | (102,386)  |
| Segment profit / (loss)                                 | (332,287)                             | (344,337)   | (49,383)   | 105,116   | 80,518    | 43,741    | —                               | —        | —         | (227,171)                       | (263,819)   | (5,642)    |
| Assets of segment                                       | 18,759,848                            | 21,520,500  | 21,170,727 | 1,773,584   | 1,118,686 | 1,163,316 | (49,002)                        | (8,040)  | (7,704)   | 20,484,430                      | 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                   | 1,522,298                             | 1,746,913   | 12,778,773 | —   | —         | 846,285   | —                               | —        | —         | 1,522,298                       | 1,746,913   | 13,625,058 |
| Property, plant and equipment                           | 1,444,402                             | 1,685,011   | 7,275,165  | —   | —         | —         | —                               | —        | —         | 1,444,402                       | 1,685,011   | 7,275,165  |
| Intangibles other than goodwill                         | 77,896                                | 61,902      | 2,333,906  | —   | —         | —         | —                               | —        | —         | 77,896                          | 61,902      | 2,333,906  |
| Goodwill  | —                                     | —           | 3,169,702  | —   | —         | 846,285   | —                               | —        | —         | —                               | —           | 4,015,987  |
| Segment liabilities                                     | 15,293,668                            | 16,604,451  | 16,477,979 | 723,438   | 775,975   | 746,854   | (36,371)                        | (75,739) | (119,179) | 15,980,735                      | 17,304,687  | 17,105,654 |
| Purchase of non-monetary assets of segment              | 1,496,204                             | 1,425,270   | 2,448,530  | —   | —         | —         | —                               | —        | —         | 1,496,204                       | 1,425,270   | 2,448,530  |

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

|  | For the periods ended<br>At December 31, |                |                |
|--|--|----------------|----------------|
|  | 2014<br>ThUS\$                           | 2013<br>ThUS\$ | 2012<br>ThUS\$ |
| Peru                                   | 660,057                                  | 646,217        | 620,263        |
| Argentina                              | 813,472                                  | 950,595        | 890,167        |
| U.S.A.                                 | 1,224,264                                | 1,290,493      | 1,268,573      |
| Europe                                 | 935,893                                  | 937,539        | 738,803        |
| Colombia                               | 391,678                                  | 387,999        | 366,664        |
| Brazil                                 | 5,361,594                                | 5,572,884      | 3,322,431      |
| Ecuador                                | 248,585                                  | 273,712        | 266,271        |
| Chile                                  | 1,589,202                                | 1,698,476      | 1,525,009      |
| Asia Pacific and rest of Latin America | 868,756                                  | 1,166,622      | 712,191        |
| Income from ordinary activities        | 12,093,501                               | 12,924,537     | 9,710,372      |
| Other operating income                 | 377,645                                  | 341,565        | 220,156        |

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<br>December<br>31, 2014 | As of<br>December 31,<br>2013 |
|---------------------------------|-------------------------------|-------------------------------|
|                                 | ThUS\$                        | ThUS\$                        |
| Cash on hand                    | 11,568                        | 6,017                         |
| Bank balances                   | 239,514                       | 229,935                       |
| Overnight                       | 154,666                       | 508,781                       |
| Total Cash                      | 405,748                       | 744,733                       |
| Cash equivalents                |                               |                               |
| Time deposits                   | 382,895                       | 660,821                       |
| Mutual funds                    | 200,753                       | 579,349                       |
| Total cash equivalents          | 583,648                       | 1,240,170                     |
| Total cash and cash equivalents | 989,396                       | 1,984,903                     |



Cash and cash equivalents are denominated in the following currencies:

| <u>Currency</u>     | As of                | As of                |
|---------------------|----------------------|----------------------|
|                     | December 31,<br>2014 | December 31,<br>2013 |
|                     | ThUS\$               | ThUS\$               |
| Argentine peso      | 44,697               | 59,018               |
| Brazilian real      | 45,591               | 253,392              |
| Chilean peso (*)    | 30,758               | 229,918              |
| Colombian peso      | 17,188               | 28,132               |
| Euro                | 9,639                | 16,571               |
| US Dollar           | 745,214              | 1,200,828            |
| Strong bolivar (**) | 63,236               | 162,809              |
| Other currencies    | 33,073               | 34,235               |
| <b>Total</b>        | <b>989,396</b>       | <b>1,984,903</b>     |

(\*) The Company no maintain currency derivative contracts (forward) at December 31, 2014 (ThUS\$ 174,020 as of December 31, 2013), for conversion into dollars of investments in pesos.

(\*\*) In Venezuela, effective 2003, the authorities decreed that all remittances abroad should be approved by the Currency Management Commission (CADIVI). Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela.

During 2014, in accordance with the acceptance of the Company about the proposal Bolivarian Republic of Venezuela regarding the repatriation of foreign exchange through the so-called “request of acquisition of foreign exchange”, the Company has modified the exchange rate used in determining equivalence of United States Dollar in cash and cash equivalents held in Strong Bolivar, from 6.3 VEF/US\$ to 12.0 VEF/US\$, which represented a loss by foreign exchange, amounting to the sum of ThUS\$ 61,021.

The Company has done significant non-cash transactions mainly with financial leases, which are detailed in Note 16 letter (d), additional information in numeral (iv) Financial leases.



Other inflows (outflows) of cash:

|  | For the periods ended |                 |                  |
|--|-----------------------|-----------------|------------------|
|  | December 31,          |                 |                  |
|  | 2014                  | 2013            | 2012             |
|  | ThUS\$                | ThUS\$          | ThUS\$           |
| Currency hedge   | (1,153)               | —               | —                |
| Fuel hedge   | (45,365)              | 11,413          | 14,237           |
| Hedging margin guarantees                                    | (64,334)              | 88,925          | 12,057           |
| Guarantees   | (86,006)              | (5,001)         | (13,974)         |
| Fuel derivatives premiums                                    | (7,075)               | (4,041)         | (20,479)         |
| Bank commissions, taxes paid and other                       | (47,724)              | (14,535)        | (42,274)         |
| <b>Total Other inflows (outflows) Operation flow</b>         | <b>(251,657)</b>      | <b>76,761</b>   | <b>(50,433)</b>  |
| opening balance Cash and cash equivalents acquired companies | —                     | —               | 263,986          |
| Amount paid by Squeeze Out TAM S.A. (*)                      | —                     | —               | (167,589)        |
| Certificate of bank deposits                                 | (17,399)              | 75,448          | (69,254)         |
| <b>Total Other inflows (outflows) Investment flow</b>        | <b>(17,399)</b>       | <b>75,448</b>   | <b>27,143</b>    |
| Aircraft Financing advances                                  | 8,669                 | 24,650          | (242,804)        |
| Credit card loan manager                                     | 23,864                | (8,965)         | 76,280           |
| Settlement of derivative contracts                           | (42,962)              | (61,897)        | (50,827)         |
| Breakage   | —                     | (16,280)        | (7,405)          |
| Other  | (3,348)               | 479             | (6,323)          |
| <b>Total Other inflows (outflows) Financing flow</b>         | <b>(13,777)</b>       | <b>(62,013)</b> | <b>(231,079)</b> |

(\*) See Note 15.2 Business combination



## NOTE 7 - FINANCIAL INSTRUMENTS

## 7.1. Financial instruments by category

As of December 31, 2014

| <u>Assets</u>                                      | <u>Loans and receivables</u> | <u>Hedge derivatives</u> | <u>Held for trading</u> | <u>Initial designation as fair value through profit and loss</u> | <u>Total</u>     |
|--|------------------------------|--------------------------|-------------------------|--|------------------|
|  | ThUS\$                       | ThUS\$                   | ThUS\$                  | ThUS\$   | ThUS\$           |
| Cash and cash equivalents                          | 788,643                      | —                        | —                       | 200,753  | 989,396          |
| Other financial assets, current (*)                | 103,866                      | 2,161                    | 41,111                  | 503,263  | 650,401          |
| Trade and others accounts receivable, current      | 1,378,837                    | —                        | —                       | —  | 1,378,837        |
| Accounts receivable from related entities, current | 308                          | —                        | —                       | —  | 308              |
| Other financial assets, non current (*)            | 84,495                       | —                        | 491                     | —  | 84,986           |
| Accounts receivable, non current                   | 30,465                       | —                        | —                       | —  | 30,465           |
| <b>Total</b>                                       | <b>2,386,614</b>             | <b>2,161</b>             | <b>41,602</b>           | <b>704,016</b>   | <b>3,134,393</b> |

| <u>Liabilities</u>                            | <u>Other financial liabilities</u> | <u>Hedge derivatives</u> | <u>Held for trading</u> | <u>Total</u>      |
|---|------------------------------------|--------------------------|-------------------------|-------------------|
|   | ThUS\$                             | ThUS\$                   | ThUS\$                  | ThUS\$            |
| Other liabilities, current                    | 1,397,382                          | 226,043                  | 1,190                   | 1,624,615         |
| Trade and others accounts payable, current    | 1,489,396                          | —                        | —                       | 1,489,396         |
| Accounts payable to related entities, current | 35                                 | —                        | —                       | 35                |
| Other financial liabilities, non-current      | 7,360,685                          | 28,327                   | —                       | 7,389,012         |
| Accounts payable, non-current                 | 577,454                            | —                        | —                       | 577,454           |
| <b>Total</b>                                  | <b>10,824,952</b>                  | <b>254,370</b>           | <b>1,190</b>            | <b>11,080,512</b> |

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





At December 31, 2013

| <u>Assets</u>                                      | <u>Loans<br/>and<br/>receivables</u><br>ThUS\$ | <u>Hedge<br/>derivatives</u><br>ThUS\$ | <u>Held<br/>for<br/>trading</u><br>ThUS\$ | <u>Initial designation<br/>as fair value<br/>through<br/>profit and loss</u><br>ThUS\$ | <u>Total</u><br>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                |
| <b>Total</b>                                       | <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>                            | <u>Other<br/>financial<br/>liabilities</u><br>ThUS\$ | <u>Hedge<br/>derivatives</u><br>ThUS\$ | <u>Held<br/>for<br/>trading</u><br>ThUS\$ | <u>Total</u><br>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                |
| <b>Total</b>                                  | <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 mainly to private investment funds; and loans and receivables corresponds to guarantees given.



## 7.2. Financial instruments by currency

## a) Assets

|  | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|--|-------------------------------|-------------------------------|
|  | ThUS\$                        | ThUS\$                        |
| Cash and cash equivalents                          | 989,396                       | 1,984,903                     |
| Argentine peso                                     | 44,697                        | 59,018                        |
| Brazilian real                                     | 45,591                        | 253,392                       |
| Chilean peso                                       | 30,758                        | 229,918                       |
| Colombian peso                                     | 17,188                        | 28,132                        |
| Euro   | 9,639                         | 16,571                        |
| US Dollar  | 745,214                       | 1,200,828                     |
| Strong bolivar                                     | 63,236                        | 162,809                       |
| Other currencies                                   | 33,073                        | 34,235                        |
| Other financial as sets (current and non-current)  | 735,387                       | 775,233                       |
| Argentine peso                                     | 45,169                        | 1,007                         |
| Brazilian real                                     | 500,875                       | 577,973                       |
| Chilean peso                                       | 26,881                        | 27,555                        |
| Colombian peso                                     | 406                           | 2,550                         |
| Euro   | 4,244                         | 5,494                         |
| US Dollar  | 156,687                       | 159,563                       |
| Strong bolivar                                     | 43                            | 14                            |
| Other currencies                                   | 1,082                         | 1,077                         |
| Trade and other accounts receivable, current       | 1,378,837                     | 1,633,094                     |
| Argentine peso                                     | 100,798                       | 27,343                        |
| Brazilian real                                     | 528,404                       | 802,789                       |
| Chilean peso                                       | 131,191                       | 82,880                        |
| Colombian peso                                     | 9,021                         | 9,762                         |
| Euro   | 38,764                        | 21,479                        |
| US Dollar  | 369,774                       | 520,991                       |
| Strong bolivar                                     | 4,895                         | 2,353                         |
| Other currencies (*)                               | 195,990                       | 165,497                       |
| Accounts receivable, non-current                   | 30,465                        | 100,775                       |
| Brazilian real                                     | 761                           | 1,194                         |
| Chilean peso                                       | 5,814                         | 8,624                         |
| US Dollar  | 23,734                        | 90,755                        |
| Other currencies (*)                               | 156                           | 202                           |
| Accounts receivable from related entities, current | 308                           | 628                           |
| Brazilian real                                     | 9                             | 162                           |
| Chilean peso                                       | 299                           | 466                           |
| Total assets                                       | 3,134,393                     | 4,494,633                     |
| Argentine peso                                     | 190,664                       | 87,368                        |
| Brazilian real                                     | 1,075,640                     | 1,635,510                     |
| Chilean peso                                       | 194,943                       | 349,443                       |
| Colombian peso                                     | 26,615                        | 40,444                        |
| Euro   | 52,647                        | 43,544                        |
| US Dollar  | 1,295,409                     | 1,972,137                     |
| Strong bolivar                                     | 68,174                        | 165,176                       |
| Other currencies                                   | 230,301                       | 201,011                       |

(\*) See the composition of the others currencies in Note 8 Trade, other accounts receivable and non-current accounts receivable.

## b) Liabilities

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



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

|   | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|---|---|---|
| Trade accounts receivable                       | 1,269,435                               | 1,552,489                               |
| Other accounts receivable                       | 210,909                                 | 251,982                                 |
| Total trade and other accounts receivable       | 1,480,344                               | 1,804,471                               |
| Less: Allowance for impairment loss             | (71,042)                                | (70,602)                                |
| Total net trade and accounts receivable         | 1,409,302                               | 1,733,869                               |
| Less: non-current portion – accounts receivable | (30,465)                                | (100,775)                               |
| Trade and other accounts receivable, current    | <u>1,378,837</u>                        | <u>1,633,094</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<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|--|---|---|
| Day  | 1,088,364                               | 1,378,226                               |
| Matured accounts receivable, but not impaired  |   |   |
| Expired from 1 to 90 days  | 83,599                                  | 72,417                                  |
| Expired from 91 to 180 days  | 11,521                                  | 11,547                                  |
| More than 180 days overdue (*)   | 14,909                                  | 19,697                                  |
| Total matured accounts receivable, but not impaired  | <u>110,029</u>                          | <u>103,661</u>                          |
| Matured accounts receivable and impaired Judicial, pre-judicial collection and protested documents | 53,956                                  | 19,630                                  |
| Debtor under pre-judicial collection process and portfolio sensitization                           | 17,086                                  | 50,972                                  |
| Total matured accounts receivable and impaired   | <u>71,042</u>                           | <u>70,602</u>                           |
| Total  | <u>1,269,435</u>                        | <u>1,552,489</u>                        |

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



Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable:

| Currency             | As of                | As of                |
|----------------------|----------------------|----------------------|
|                      | December 31,<br>2014 | December 31,<br>2013 |
|                      | ThUS\$               | ThUS\$               |
| Argentine Peso       | 100,798              | 27,343               |
| Brazilian Real       | 529,165              | 803,983              |
| Chilean Peso         | 137,005              | 91,504               |
| Colombian peso       | 9,021                | 9,762                |
| Euro                 | 38,764               | 21,479               |
| US Dollar            | 393,508              | 611,746              |
| Strong bolivar       | 4,895                | 2,353                |
| Other currency (*)   | 196,146              | 165,699              |
| <b>Total</b>         | <b>1,409,302</b>     | <b>1,733,869</b>     |
| (*) Other currencies |                      |                      |
| Australian Dollar    | 15,243               | 26,198               |
| Chinese Yuan         | 35,626               | 22,887               |
| Danish Krone         | 8,814                | 6,899                |
| Pound Sterling       | 33,624               | 15,256               |
| Indian Rupee         | 1,887                | 5,343                |
| Japanese Yen         | 4,635                | 10,332               |
| Norwegian Kroner     | 16,516               | 14,970               |
| Swiss Franc          | 5,701                | 6,645                |
| Korean Won           | 25,203               | 16,929               |
| New Taiwanese Dollar | 10,323               | 9,670                |
| Other currencies     | 38,574               | 30,570               |
| <b>Total</b>         | <b>196,146</b>       | <b>165,699</b>       |

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.

| Maturity                                    | Impairment |
|---|------------|
| Judicial and pre-judicial collection assets | 100%       |
| Over 1 year                                 | 100%       |
| Between 6 and 12 months                     | 50%        |



Movement in the allowance for impairment loss of Trade and other accounts receivables:

| Periods                             | Opening balance<br>ThUS\$ | Write-offs<br>ThUS\$ | (Increase) Decrease<br>ThUS\$ | Addition for business combination<br>ThUS\$ | Differences by subsidiaries<br>ThUS\$ | Closing balance<br>ThUS\$ |
|-------------------------------------|---------------------------|----------------------|-------------------------------|---|---------------------------------------|---------------------------|
| From January 1 to December 31, 2012 | (20,525)                  | 3,312                | (2,857)                       | (54,511)                                    | (922)                                 | (75,503)                  |
| From January 1 to December 31, 2013 | (75,503)                  | 9,928                | (5,027)                       | —   | —                                     | (70,602)                  |
| From January 1 to December 31, 2014 | (70,602)                  | 6,864                | (7,304)                       | —   | —                                     | (71,042)                  |

Once pre-judicial and judicial collection efforts are exhausted, the assets are written off against the allowance. The Company only uses the allowance method rather than direct write-off, to ensure control.

Historic and current re-negotiations are not relevant and the policy is to analyze case by case in order to classify them according to the existence of risk, determining whether it is appropriate to reclassify accounts to pre-judicial recovery. If such re-classification is justified, an allowance is made for the account, whether overdue or falling due.

The maximum credit-risk exposure at the date of presentation of the information is the fair value of each one of the categories of accounts receivable indicated above.

|                           | As of December 31, 2014                       |                                   |   | As of December 31, 2013                       |                                   |   |
|---------------------------|---|-----------------------------------|---|---|-----------------------------------|---|
|                           | Gross exposure according to balance<br>ThUS\$ | Gross impaired exposure<br>ThUS\$ | Exposure net of risk concentrations<br>ThUS\$ | Gross exposure according to balance<br>ThUS\$ | Gross Impaired exposure<br>ThUS\$ | Exposure net of risk concentrations<br>ThUS\$ |
| Trade accounts receivable | 1,269,435                                     | (71,042)                          | 1,198,393                                     | 1,552,489                                     | (70,602)                          | 1,481,887                                     |
| Other accounts receivable | 210,909                                       | —                                 | 210,909                                       | 251,982                                       | —                                 | 251,982                                       |

There are no relevant guarantees covering credit risk and these are valued when they are settled; no materially significant direct guarantees exist. Existing guarantees, if appropriate, are made through IATA.



NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

(a) Accounts Receivable

| Tax No.      | Related party                              | Relationship           | Country of origin | Currency | As of             | As of             |
|--------------|--|------------------------|-------------------|----------|-------------------|-------------------|
|              |  |                        |                   |          | December 31, 2014 | December 31, 2013 |
|              |  |                        |                   |          | ThUS\$            | ThUS\$            |
| 78.591.370-1 | Bethia S.A. and Subsidiaries               | Others related parties | Chile             | CLP      | 284               | 441               |
| 79.773.440-1 | Transportes San Felipe S.A.                | Others related parties | Chile             | CLP      | —                 | 1                 |
| 87.752.000-5 | Granja Marina Tornagaleones S.A.           | Others related parties | Chile             | CLP      | 15                | 24                |
| Foreign      | Made In Everywhere Repr. Com. Distr. Ltda. | Others related parties | Brazil            | BRL      | —                 | 2                 |
| Foreign      | TAM Aviação Executiva e Taxi Aéreo S.A.    | Others related parties | Brazil            | BRL      | —                 | 14                |
| Foreign      | Prisma Fidelidade S.A.                     | Joint Venture          | Brazil            | BRL      | 9                 | 146               |
|              | <b>Total current assets</b>                |                        |                   |          | <b>308</b>        | <b>628</b>        |

(b) Accounts payable

| Tax No.      | Related party                         | Relationship          | Country of origin | Currency | As of             | As of             |
|--------------|---------------------------------------|-----------------------|-------------------|----------|-------------------|-------------------|
|              |                                       |                       |                   |          | December 31, 2014 | December 31, 2013 |
|              |                                       |                       |                   |          | ThUS\$            | ThUS\$            |
| 96.847.880-K | Lufthansa Lan Technical Training S.A. | Associate             | Chile             | US\$     | —                 | 187               |
| 65.216.000-K | Comunidad Mujer                       | Other related parties | Chile             | CLP      | 2                 | —                 |
| 78.591.370-1 | Bethia S.A. and Subsidiaries          | Other related parties | Chile             | CLP      | 6                 | 14                |
| Foreign      | Inversora Aeronáutica Argentina       | Other related parties | Argentina         | US\$     | 27                | 304               |
|              | <b>Total current liabilities</b>      |                       |                   |          | <b>35</b>         | <b>505</b>        |

Transactions between related parties have been carried out on free-trade conditions between interested and duly-informed parties. The transaction times are between 30 and 45 days, and the nature of settlement of the transactions is monetary.



NOTE 10 - INVENTORIES

|                                   | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|-----------------------------------|---|---|
| Technical stock                   | 229,313                                 | 190,202                                 |
| Non-technical stock               | 36,726                                  | 40,826                                  |
| <b>Total production suppliers</b> | <b>266,039</b>                          | <b>231,028</b>                          |

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence that as of December 31, 2014 amounts to ThUS\$ 2,982 (ThUS\$ 1,757 as of December 31, 2013). The resulting amounts do not exceed the respective net realizable values.

As of December 31, 2014, the Company recorded ThUS\$ 189,864 (ThUS\$ 160,068 as of December 31, 2013 and 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.

During 2014 no reversals of write-downs resulting from an increase in net realizable value.



## NOTE 11 - OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

|  | Current Assets                |                               | Non-current assets            |                               | Total Assets                  |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|  | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| <b>(a) Other financial assets</b>                                      |                               |                               |                               |                               |                               |                               |
| Private investment funds   | 480,777                       | 544,182                       | —                             | —                             | 480,777                       | 544,182                       |
| Deposits in guarantee (aircraft)                                       | 8,458                         | 51,879                        | 70,155                        | 49,893                        | 78,613                        | 101,772                       |
| Certificate of deposit (CBD)   | 18,293                        | 2,374                         | —                             | —                             | 18,293                        | 2,374                         |
| Time deposits  | —                             | 28,181                        | —                             | —                             | —                             | 28,181                        |
| Guarantees for margins of derivatives                                  | 92,556                        | 28,157                        | —                             | —                             | 92,556                        | 28,157                        |
| Deposits in guarantee (loan)   | —                             | —                             | 11,116                        | 11,753                        | 11,116                        | 11,753                        |
| Other investments  | 4,193                         | 1,583                         | 491                           | 506                           | 4,684                         | 2,089                         |
| Domestic and foreign bonds   | 41,111                        | 351                           | —                             | —                             | 41,111                        | 351                           |
| Other guarantees given   | 2,852                         | 4,822                         | 3,224                         | 3,137                         | 6,076                         | 7,959                         |
| Subtotal of other financial assets                                     | <u>648,240</u>                | <u>661,529</u>                | <u>84,986</u>                 | <u>65,289</u>                 | <u>733,226</u>                | <u>726,818</u>                |
| <b>(b) Hedging assets</b>  |                               |                               |                               |                               |                               |                               |
| Interest accrued since the last payment date of Cross<br>currency swap | 377                           | 483                           | —                             | —                             | 377                           | 483                           |
| Fair value of interest rate derivatives                                | 1                             | 6                             | —                             | —                             | 1                             | 6                             |
| Fair value of foreign currency derivatives (1)                         | —                             | 32,058                        | —                             | —                             | —                             | 32,058                        |
| Fair value of fuel price derivatives                                   | 1,783                         | 15,868                        | —                             | —                             | 1,783                         | 15,868                        |
| Subtotal of hedging assets   | <u>2,161</u>                  | <u>48,415</u>                 | <u>—</u>                      | <u>—</u>                      | <u>2,161</u>                  | <u>48,415</u>                 |
| Total Other Financial Assets   | <u>650,401</u>                | <u>709,944</u>                | <u>84,986</u>                 | <u>65,289</u>                 | <u>735,387</u>                | <u>775,233</u>                |

(1) The foreign currency derivatives exchange is collars and cross currency swap.

The types of derivative hedging contracts maintained by the Company at the end of each period are presented in Note 18.





NOTE 12 - OTHER NON-FINANCIAL ASSETS

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

|   | Current assets                |                               | Non-current assets            |                               | Total Assets                  |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|   | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| (a) Advance payments  |                               |                               |                               |                               |                               |                               |
| Aircraft leases   | 26,039                        | 28,555                        | 26,201                        | 17,332                        | 52,240                        | 45,887                        |
| Aircraft insurance and other  | 12,160                        | 13,180                        | —                             | —                             | 12,160                        | 13,180                        |
| Others  | 17,970                        | 14,657                        | 36,450                        | 38,557                        | 54,420                        | 53,214                        |
| Subtotal advance payments   | 56,169                        | 56,392                        | 62,651                        | 55,889                        | 118,820                       | 112,281                       |
| (b) Other assets  |                               |                               |                               |                               |                               |                               |
| Aircraft maintenance reserve (*)  | 31,108                        | 152,797                       | 123,588                       | 79,012                        | 154,696                       | 231,809                       |
| Sales tax   | 155,795                       | 120,215                       | 64,652                        | 65,936                        | 220,447                       | 186,151                       |
| Other taxes   | 3,513                         | 5,556                         | —                             | —                             | 3,513                         | 5,556                         |
| Contributions to Société Internationale de<br>Télécommunications Aéronautiques (“SITA”) | 599                           | 657                           | 453                           | 515                           | 1,052                         | 1,172                         |
| Judicial deposits   | —                             | —                             | 90,450                        | 70,380                        | 90,450                        | 70,380                        |
| Others  | 687                           | —                             | 1,019                         | 544                           | 1,706                         | 544                           |
| Subtotal other assets   | 191,702                       | 279,225                       | 280,162                       | 216,387                       | 471,864                       | 495,612                       |
| Total Other Non - Financial Assets  | 247,871                       | 335,617                       | 342,813                       | 272,276                       | 590,684                       | 607,893                       |

(\*) Aircraft maintenance reserves reflect prepayment deposits made by the group to lessors of certain aircraft under operating lease agreements in order to ensure that funds are available to support the scheduled heavy maintenance of the aircraft.

These amounts are calculated based on performance measures, such as flight hours or cycles, are payable periodically (usually monthly) and are contractually required to be repaid to the lessee upon the completion of the required maintenance of the leased aircraft. At the end of the lease term, any unused maintenance reserves are either returned to the Company in cash or used to offset amounts that we may owe the lessor as a maintenance adjustment.

In some cases (5 lease agreements), if the maintenance cost incurred by LATAM is less than the corresponding maintenance reserves, the lessor is entitled to retain those excess amounts at the time the heavy maintenance is performed. The Company periodically reviews its maintenance reserves for each of its leased aircraft to ensure that they will be recovered, and recognizes an expense if any such amounts are less than probable of being returned. Since the acquisition of TAM in June 2012, the cost of aircraft maintenance has been higher than the related maintenance reserves for all aircraft.

As of December 31, 2014, LATAM had ThUS\$ 154,696 in maintenance reserves (ThUS\$ 231,809 at December 31, 2013), corresponding to 12 aircraft out of a total fleet of 327 (21 aircraft out of a total fleet of 339 at December 31, 2013). All of the Company’s aircraft leases containing provisions for maintenance reserves will expire fully by 2017.

Aircraft maintenance reserves are classified as current or non-current depending on the dates when the related maintenance is expected to be performed (Note 2.23).



NOTE 13 - INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

The Company has investments in companies recognized as investments in subsidiaries. All the companies defined as subsidiaries have been consolidated within the financial statements of LATAM Airlines Group S.A. and Subsidiaries. The consolidation also includes special-purpose entities and private investment funds.

Detail of significant subsidiaries and summarized financial information:

| Name of significant subsidiary                     | Country of incorporation | Functional currency | As of December 31, 2014 % | Ownership As of December 31, 2013 % | As of December 31, 2012 % |
|--|--------------------------|---------------------|---------------------------|-------------------------------------|---------------------------|
| Lan Perú S.A.                                      | Peru                     | US\$                | 69.97858                  | 69.97858                            | 69.97858                  |
| Lan Cargo S.A.                                     | Chile                    | US\$                | 99.89803                  | 99.89803                            | 99.89803                  |
| Lan Argentina S.A.                                 | Argentina                | ARS                 | 94.99055                  | 94.99055                            | 94.99055                  |
| Transporte Aéreo S.A.                              | Chile                    | US\$                | 99.89804                  | 99.89804                            | 99.89804                  |
| Aerolane Líneas Aéreas Nacionales del Ecuador S.A. | Ecuador                  | US\$                | 100.00000                 | 71.94990                            | 71.94990                  |
| Aerovías de Integración Regional, AIRES S.A.       | Colombia                 | COP                 | 99.01646                  | 99.01646                            | 98.21089                  |
| TAM S.A.   | Brazil                   | BRL                 | 99.99938                  | 99.99938                            | 99.99938                  |

The consolidated subsidiaries do not have significant restrictions for transferring funds to controller.



Summary financial information of significant subsidiaries

| Name of significant subsidiary                     | Statement of financial position as of December 31, 2014 |                |                    |                   |                     |                         | Results for the period ended December 31, 2014 |            |
|--|---|----------------|--------------------|-------------------|---------------------|-------------------------|--|------------|
|  | Total Assets  | Current Assets | Non-current Assets | Total Liabilities | Current Liabilities | Non-current Liabilities | Revenue  | Net Income |
|  | ThUS\$  | ThUS\$         | ThUS\$             | ThUS\$            | ThUS\$              | ThUS\$                  | ThUS\$   | ThUS\$     |
| Lan Perú S.A.                                      | 239,470   | 214,245        | 25,225             | 228,395           | 226,784             | 1,611                   | 1,134,289                                      | 1,058      |
| Lan Cargo S.A.                                     | 575,979   | 250,174        | 325,805            | 234,772           | 119,111             | 115,661                 | 267,578  | (17,905)   |
| Lan Argentina S.A.                                 | 233,142   | 206,503        | 26,639             | 201,168           | 198,593             | 2,575                   | 439,929  | (17,864)   |
| Transporte Aéreo S.A.                              | 367,570   | 80,090         | 287,480            | 147,278           | 59,805              | 87,473                  | 364,580  | (19,001)   |
| Aerolane Líneas Aéreas Nacionales del Ecuador S.A. | 126,472   | 78,306         | 48,166             | 116,040           | 111,718             | 4,322                   | 256,925  | (20,193)   |
| Aerovías de Integración Regional, AIRES S.A.       | 131,324   | 38,751         | 92,573             | 61,736            | 49,577              | 12,159                  | 392,433  | (81,033)   |
| TAM S.A. (*)                                       | 6,817,698   | 1,921,316      | 4,896,382          | 5,809,529         | 2,279,110           | 3,530,419               | 6,628,432                                      | 171,655    |

| Name of significant subsidiary                     | Statement of financial position as of December 31, 2013 |                |                    |                   |                     |                         | Results for the period ended December 31, 2013 |            |
|--|---|----------------|--------------------|-------------------|---------------------|-------------------------|--|------------|
|  | Total Assets  | Current Assets | Non-current Assets | Total Liabilities | Current Liabilities | Non-current Liabilities | Revenue  | Net Income |
|  | ThUS\$  | ThUS\$         | ThUS\$             | ThUS\$            | ThUS\$              | ThUS\$                  | ThUS\$   | ThUS\$     |
| Lan Perú S.A.                                      | 263,516   | 237,577        | 25,939             | 252,109           | 250,699             | 1,410                   | 1,173,391                                      | 3,755      |
| Lan Cargo S.A.                                     | 772,640   | 360,733        | 411,907            | 413,527           | 233,363             | 180,164                 | 304,060  | 3,685      |
| Lan Argentina S.A.                                 | 214,426   | 192,590        | 21,836             | 205,672           | 203,567             | 2,105                   | 500,128  | (13,311)   |
| Transporte Aéreo S.A.                              | 359,693   | 69,459         | 290,234            | 120,399           | 37,049              | 83,350                  | 400,518  | (4,129)    |
| Aerolane Líneas Aéreas Nacionales del Ecuador S.A. | 94,160  | 58,867         | 35,293             | 93,535            | 89,802              | 3,733                   | 299,138  | (40,295)   |
| Aerovías de Integración Regional, AIRES S.A.       | 188,518   | 69,591         | 118,927            | 36,009            | 24,936              | 11,073                  | 335,854  | (63,359)   |
| TAM S.A. (*)                                       | 8,695,458   | 2,372,047      | 6,323,411          | 7,983,671         | 3,249,581           | 4,734,090               | 6,791,104                                      | (458,475)  |

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



## 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 Assets  | Current Assets | Non-current Assets | Total Liabilities | Current Liabilities | Non-current Liabilities | Revenue  | Net Income |
|  | ThUS\$  | ThUS\$         | ThUS\$             | ThUS\$            | ThUS\$              | ThUS\$                  | ThUS\$   | ThUS\$     |
| Lan Perú S.A.                                      | 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.



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(b) Non-controlling interest

| Equity  | Tax No.      | Country of origin | As of December 31, 2014 % | As of December 31, 2013 % | As of December 31, 2014 ThUS\$ | As of December 31, 2013 ThUS\$ |
|---|--------------|-------------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Lan Perú S.A  | 0-E          | Peru              | 30.00000                  | 30.00000                  | 3,323                          | 3,423                          |
| Lan Cargo S.A. and Subsidiaries                       | 93.383.000-4 | Chile             | 0.10605                   | 0.10605                   | 925                            | 591                            |
| Inversiones Lan S.A. and Subsidiaries                 | 96.575.810-0 | Chile             | 0.29000                   | 0.29000                   | 5                              | 19                             |
| Promotora Aérea Latinoamericana S.A. and Subsidiaries | 0-E          | Mexico            | 51.00000                  | 51.00000                  | 1,730                          | 1,315                          |
| Aerolane, Lineas Aéreas Nacionales del Ecuador S.A.   | 0-E          | Ecuador           | 0.00000                   | 28.05000                  | —                              | (14,688)                       |
| Inversora Cordillera S.A. and Subsidiaries            | 0-E          | Argentina         | 4.22000                   | 4.22000                   | 195                            | 966                            |
| Lan Argentina S.A.                                    | 0-E          | Argentina         | 1.00000                   | 1.00000                   | 217                            | 221                            |
| Americonsult de Guatemala S.A.                        | 0-E          | Guatemala         | 1.00000                   | 1.00000                   | 5                              | 1                              |
| Americonsult Costa Rica S.A.                          | 0-E          | Costa Rica        | 1.00000                   | 1.00000                   | 6                              | 8                              |
| Linea Aérea Carguera de Colombiana S.A.               | 0-E          | Colombia          | 10.00000                  | 10.00000                  | (826)                          | 660                            |
| Aerolíneas Regionales de Integración Aires S.A.       | 0-E          | Colombia          | 0.98307                   | 0.98307                   | 684                            | 370                            |
| Transportes Aereos del Mercosur S.A.                  | 0-E          | Paraguay          | 5.02000                   | 5.02000                   | 825                            | 1,695                          |
| Multiplus S.A.  | 0-E          | Brazil            | 27.26000                  | 27.15000                  | 94,710                         | 93,057                         |
| Total   |              |                   |                           |                           | 101,799                        | 87,638                         |

| Incomes   | Tax No.      | Country of origin | As of December 31, 2014 % | As of December 31, 2013 % | As of December 31, 2012 % | For the period ended December 31, 2014 ThUS\$ | For the period ended December 31, 2013 ThUS\$ | For the period ended December 31, 2012 ThUS\$ |
|---|--------------|-------------------|---------------------------|---------------------------|---------------------------|---|---|---|
| Lan Perú S.A  | 0-E          | Peru              | 30.00000                  | 30.00000                  | 30.00000                  | 317   | 1,127   | 753   |
| Lan Cargo S.A. and Subsidiaries                       | 93.383.000-4 | Chile             | 0.10605                   | 0.10605                   | 0.10200                   | (125)   | 111   | (58)  |
| Inversiones Lan S.A. and Subsidiaries                 | 96.575.810-0 | Chile             | 0.29000                   | 0.29000                   | 0.29000                   | (14)  | 1   | 1   |
| Promotora Aerea Latinoamericana S.A. and Subsidiaries | 0-E          | Mexico            | 51.00000                  | 51.00000                  | 51.00000                  | 396   | (511)   | 226   |
| Aerolinhas Brasileiras S.A. and Subsidiaries          | 0-E          | Brasil            | 0.00000                   | 26.70000                  | 26.70000                  | —   | (1,520)                                       | 631   |
| Aerolane, Lineas Aéreas Nacionales del Ecuador S.A.   | 0-E          | Ecuador           | 0.00000                   | 28.05000                  | 28.05000                  | (5,671)                                       | (11,303)                                      | (3,938)                                       |
| Inversora Cordillera S.A. and Subsidiaries            | 0-E          | Argentina         | 4.22000                   | 4.22000                   | 4.22000                   | 270   | 188   | 222   |
| Lan Argentina S.A.                                    | 0-E          | Argentina         | 1.00000                   | 1.00000                   | 1.00000                   | 58  | 47  | 48  |
| Americonsult de Guatemala S.A.                        | 0-E          | Guatemala         | 1.00000                   | 1.00000                   | 1.00000                   | 4   | 1   | (1)   |
| Americonsult Costa Rica S.A.                          | 0-E          | Costa Rica        | 1.00000                   | 1.00000                   | 10.00000                  | 6   | —   | 2   |
| Linea Aérea Carguera de Colombiana S.A.               | 0-E          | Colombia          | 10.00000                  | 10.00000                  | 10.00000                  | (495)   | (145)   | (528)   |
| Aerolíneas Regionales de Integración Aires S.A.       | 0-E          | Colombia          | 0.98307                   | 1.02665                   | 1.21900                   | (797)   | (645)   | (921)   |
| Transportes Aereos del Mercosur S.A.                  | 0-E          | Paraguay          | 5.02000                   | 5.02000                   | 5.02000                   | (389)   | 671   | 321   |
| Multiplus S.A.  | 0-E          | Brazil            | 27.26000                  | 27.13000                  | 27.08000                  | 39,254  | 29,273  | 16,676  |
| Total   |              |                   |                           |                           |                           | 32,814  | 17,295  | 13,434  |



NOTE 14 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

|                     | Classes of intangible assets<br>(net) |                               | Classes of intangible assets<br>(gross) |                               |
|---------------------|---------------------------------------|-------------------------------|---|-------------------------------|
|                     | As of<br>December 31,<br>2014         | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014           | As of<br>December 31,<br>2013 |
|                     | ThUS\$                                | ThUS\$                        | ThUS\$                                  | ThUS\$                        |
| Computer software   | 126,797                               | 143,124                       | 309,846                                 | 278,721                       |
| Developing software | 74,050                                | 46,075                        | 74,050                                  | 46,075                        |
| Airport slots       | 1,201,028                             | 1,361,807                     | 1,201,028                               | 1,361,807                     |
| Loyalty program     | 400,317                               | 453,907                       | 400,317                                 | 453,907                       |
| Trademarks          | 77,887                                | 88,314                        | 77,887                                  | 88,314                        |
| Other assets        | —                                     | 81                            | 808                                     | 808                           |
| <b>Total</b>        | <b>1,880,079</b>                      | <b>2,093,308</b>              | <b>2,063,936</b>                        | <b>2,229,632</b>              |

Movement in Intangible assets other than goodwill:

|   | Computer<br>software<br>Net | Developing<br>software | Airport<br>slots (*) | Trademarks<br>and loyalty<br>program (*) | Other<br>assets<br>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 combination | 78,106                      | 22,864                 | 1,552,016            | 617,934                                  | 561                    | 2,271,481 |
| Foreing exchange                          | (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)   |
| Foreing exchange                          | (5,542)                     | (4,894)                | (199,323)            | (79,363)                                 | (72)                   | (289,194) |
| Amortization                              | (56,258)                    | —                      | —                    | —  | (161)                  | (56,419)  |
| Closing balance as of December 31, 2013   | 143,124                     | 46,075                 | 1,361,807            | 542,221                                  | 81                     | 2,093,308 |
| Opening balance as of January 1, 2014     | 143,124                     | 46,075                 | 1,361,807            | 542,221                                  | 81                     | 2,093,308 |
| Additions                                 | 16,902                      | 60,994                 | —                    | —  | —                      | 77,896    |
| Withdrawals                               | (1,365)                     | (3,576)                | —                    | —  | —                      | (4,941)   |
| Transfer software                         | 22,351                      | (24,539)               | —                    | —  | —                      | (2,188)   |
| Foreing exchange                          | (6,763)                     | (4,904)                | (160,779)            | (64,017)                                 | —                      | (236,463) |
| Amortization                              | (47,452)                    | —                      | —                    | —  | (81)                   | (47,533)  |
| Closing balance as of December 31, 2014   | 126,797                     | 74,050                 | 1,201,028            | 478,204                                  | —                      | 1,880,079 |



The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs as of December 31, 2014 amounts to ThUS\$ 183,049 (ThUS\$ 135,597 as of December 31, 2013, ThUS\$ 79,342 as of December 31, 2012). The accumulated amortization of other identifiable intangible assets as of December 31, 2014 amounts to ThUS\$ 808 (ThUS\$ 727 as of December 31, 2013, ThUS\$ 566 as of December 31, 2012).

(\*) See Note 2.5

## NOTE 15 - GOODWILL AND BUSINESS COMBINATION

### 15.1 Goodwill

The Goodwill amount at December 31, 2014 is ThUS\$ 3,313,401 (ThUS\$ 3,727,605 at December 31, 2013 and ThUS\$ 4,213,160 as revised at December 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, at December 31, 2014 was performed impairment tests based on value in use and no impairment was identified. These tests are done at least once per year.

At December 31, 2014, the recoverable amounts of cash generating units have been determined from estimated cash flows by the Administration. The main assumptions used are disclosed as follows:

|  |             | Air transportation<br>CGU | Coalition and loyalty<br>program Multiplus CGU (2) |
|--|-------------|---------------------------|--|
| Annual growth rate (Terminal)                                      | %           | 1.5 and 2.5               | 4.7 and 5.7  |
| Exchange rate (1)  | R\$/US\$    | 2.7 and 3.62              | 2.7 and 3.62                                       |
| Discount rate based on the weighted average cost of capital (WACC) | %           | 9.8 and 10.8              | —  |
| Discount rate based on cost of equity (CoE)                        | %           | —                         | 18.0 and 24.0                                      |
| Fuel Price from futures price curves commodities markets           | US\$/barril | 90                        | —  |

- (1) In line with the expectations of the Central Bank of Brazil
- (2) The flows, as in the growth rate and discount, are denominated in real.

Given the expectation of growth and the long investment cycles characteristic of the industry, are used projections of ten years.

The result of the impairment test, which includes a sensitivity analysis of the main variables, showed that the estimated recoverable amount is higher than carrying value of the book value of net assets allocated to the cash generating unit, and therefore impairment was not detected.



The sensitivity analysis included individual impact of variations in the key assumptions with impact on the determination of the recoverable amounts, namely:

|   | Increase<br>Maximum<br>WACC<br>% | Increase<br>Maximum<br>CoE<br>% | Decrease<br>Minimum<br>terminal<br>growth rate<br>% |
|---|----------------------------------|---------------------------------|---|
| Air transportation CGU                      | 10.8                             | —                               | 1.5   |
| Coalition and loyalty program Multiplus CGU | —                                | 24.0                            | 4.7   |

In none of the previous cases was presented impairment in the cash- generating unit.

Movement of Goodwill, separated by CGU:

|  | Air<br>Transport<br>ThUS\$ | Coalition<br>and loyalty<br>program<br>Multiplus<br>ThUS\$ | Total<br>ThUS\$ |
|--|----------------------------|--|-----------------|
| Opening balance as of January 1, 2012                | 163,777                    | —  | 163,777         |
| Additions by business combination                    | 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              | 3,361,906                  | 851,254  | 4,213,160       |
| Opening balance as of January 1, 2013                | 3,361,906                  | 851,254  | 4,213,160       |
| Increase (decrease) due to exchange rate differences | (421,729)                  | (108,686)  | (530,415)       |
| Others   | 44,860                     | —  | 44,860          |
| Closing balance as of December 31, 2013              | 2,985,037                  | 742,568  | 3,727,605       |
| Opening balance as of January 1, 2014                | 2,985,037                  | 742,568  | 3,727,605       |
| Increase (decrease) due to exchange rate differences | (360,371)                  | (87,670)   | (448,041)       |
| Others   | 33,837                     | —  | 33,837          |
| Closing balance as of December 31, 2014              | 2,658,503                  | 654,898  | 3,313,401       |





15.2. 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) 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 15.2.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         |
| <b>Total</b>            | <b>55,413,784</b> |        | <b>94,718,931</b>         |        | <b>150,132,715</b> |

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        |
| <b>Total</b>             | <b>938</b>  |       | <b>55,413,847</b>         |        | <b>55,414,785</b> |

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

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 15.2.(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<br>value<br>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             | (130,817)               |

- 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 Earing 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> |
| Less:                              |                  |                  |
| 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     | <u>(130,817)</u> | <u>(130,817)</u> |
| 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<br>restated<br>at June 22,<br>2012<br><u>ThUS\$</u> |
|---|--|
| Goodwill assigned Air transportation CGU                      | 3,169,702  |
| Goodwill assigned Coalition and loyalty program Multiplus CGU | 846,285  |
| <b>Total Goodwill</b>   | <u><u>4,015,987</u></u>                                      |

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

(c) 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 16 - PROPERTY, PLANT AND EQUIPMENT

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

|                                      | Gross Book Value              |                               | Acumulated depreciation       |                               | Net Book Value                |                               |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                      | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|                                      | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| Construction in progress             | 937,279                       | 858,650                       | —                             | —                             | 937,279                       | 858,650                       |
| Land                                 | 57,988                        | 59,352                        | —                             | —                             | 57,988                        | 59,352                        |
| Buildings                            | 249,361                       | 247,263                       | (82,355)                      | (75,478)                      | 167,006                       | 171,785                       |
| Plant and equipment                  | 8,660,352                     | 8,461,456                     | (1,770,560)                   | (1,708,668)                   | 6,889,792                     | 6,752,788                     |
| Own aircraft                         | 7,531,526                     | 7,409,394                     | (1,407,704)                   | (1,347,671)                   | 6,123,822                     | 6,061,723                     |
| Other                                | 1,128,826                     | 1,052,062                     | (362,856)                     | (360,997)                     | 765,970                       | 691,065                       |
| Machinery                            | 65,832                        | 73,561                        | (42,099)                      | (41,509)                      | 23,733                        | 32,052                        |
| Information technology equipment     | 188,208                       | 182,108                       | (137,199)                     | (135,889)                     | 51,009                        | 46,219                        |
| Fixed installations and accessories  | 97,090                        | 97,212                        | (53,307)                      | (46,620)                      | 43,783                        | 50,592                        |
| Motor vehicles                       | 95,981                        | 75,150                        | (53,452)                      | (51,128)                      | 42,529                        | 24,022                        |
| Leasehold improvements               | 144,230                       | 88,641                        | (87,707)                      | (71,872)                      | 56,523                        | 16,769                        |
| Other property, plants and equipment | 4,522,589                     | 4,791,236                     | (2,019,155)                   | (1,820,679)                   | 2,503,434                     | 2,970,557                     |
| Financial leasing aircraft           | 4,365,247                     | 4,618,127                     | (1,985,458)                   | (1,777,980)                   | 2,379,789                     | 2,840,147                     |
| Other                                | 157,342                       | 173,109                       | (33,697)                      | (42,699)                      | 123,645                       | 130,410                       |
| Total                                | <u>15,018,910</u>             | <u>14,934,629</u>             | <u>(4,245,834)</u>            | <u>(3,951,843)</u>            | <u>10,773,076</u>             | <u>10,982,786</u>             |



(a) The movement in the different categories of Property, plant and equipment from January 1, 2013 to December 31, 2014 is shown below:

|   | Construction<br>in progress | Land     | Buildings<br>net | Plant and<br>equipment<br>net | Information<br>technology<br>equipment<br>net | Fixed<br>installations<br>& accessories<br>net | Motor<br>vehicles<br>net | Leasehold<br>improvements<br>net | Other<br>property,<br>plant and<br>equipment<br>net | Property,<br>Plant and<br>equipment<br>net |
|---|-----------------------------|----------|------------------|-------------------------------|---|--|--------------------------|----------------------------------|---|--|
|   | ThUS\$                      | ThUS\$   | ThUS\$           | ThUS\$                        | ThUS\$  | ThUS\$   | ThUS\$                   | ThUS\$                           | ThUS\$  | ThUS\$                                     |
| Opening balance as of<br>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<br>Business Combination                      | 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)                                   |
| Transfer (to) from non-<br>current assets (or<br>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)                                  |
| Foreign exchange  | 1,844                       | 272      | (2,370)          | 2,625                         | 3,968   | 530  | (101)                    | —                                | 16,725  | 23,493                                     |
| Other increases<br>(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<br>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                                 |
| Opening balance as of<br>January 1, 2013                          | 1,153,003                   | 65,307   | 175,070          | 6,360,115                     | 40,463  | 42,343   | 4,722                    | 21,728                           | 3,944,325   | 11,807,076                                 |
| Additions   | 17,731                      | —        | 11,798           | 1,555,667                     | 22,146  | 7,663  | 303                      | —                                | 69,703  | 1,685,011                                  |
| Disposals   | —                           | —        | —                | (141,328)                     | (31)  | —  | (161)                    | —                                | (644,637)   | (786,157)                                  |
| Retirements   | (615)                       | —        | (430)            | (65,151)                      | (270)   | (15)   | (10)                     | (219)                            | (19,716)  | (86,426)                                   |
| Depreciation expenses   | —                           | —        | (11,768)         | (446,503)                     | (14,131)                                      | (8,893)  | (312)                    | (12,281)                         | (336,586)   | (830,474)                                  |
| Foreign exchange  | (53,452)                    | (5,955)  | (12,414)         | (71,013)                      | (3,375)                                       | (1,527)  | (286)                    | (1)                              | (320,738)   | (468,761)                                  |
| Other increases<br>(decreases)                                    | (258,017)                   | —        | 9,529            | (384,669)                     | 1,417   | 11,021   | (2,512)                  | 7,542                            | 278,206   | (337,483)                                  |
| Changes, total  | (294,353)                   | (5,955)  | (3,285)          | 447,003                       | 5,756   | 8,249  | (2,978)                  | (4,959)                          | (973,768)   | (824,290)                                  |
| Closing balance as of<br>December 31, 2013                        | 858,650                     | 59,352   | 171,785          | 6,807,118                     | 46,219  | 50,592   | 1,744                    | 16,769                           | 2,970,557   | 10,982,786                                 |
| Opening balance as of<br>January 1, 2014                          | 858,650                     | 59,352   | 171,785          | 6,807,118                     | 46,219  | 50,592   | 1,744                    | 16,769                           | 2,970,557   | 10,982,786                                 |
| Additions   | 29,980                      | 3,440    | 16,636           | 1,214,282                     | 22,239  | 2,190  | 1,586                    | —                                | 154,049   | 1,444,402                                  |
| Disposals   | —                           | —        | —                | (660,129)(*)                  | (57)  | —  | (4)                      | —                                | (328)   | (660,518)                                  |
| Retirements   | (705)                       | —        | (403)            | (39,463)                      | (205)   | (230)  | (53)                     | (50)                             | (34,282)  | (75,391)                                   |
| Depreciation expenses   | —                           | —        | (13,980)         | (431,967)                     | (16,889)                                      | (8,899)  | (1,041)                  | (19,127)                         | (286,033)   | (777,936)                                  |
| Foreign exchange  | 733                         | (4,804)  | (12,341)         | (59,957)                      | (3,595)                                       | (1,509)  | 330                      | —                                | (110,727)   | (191,870)                                  |
| Other increases<br>(decreases)                                    | 48,621                      | —        | 5,309            | 124,205                       | 3,297   | 1,639  | (597)                    | 58,931                           | (189,802)   | 51,603                                     |
| Changes, total  | 78,629                      | (1,364)  | (4,779)          | 146,971                       | 4,790   | (6,809)  | 221                      | 39,754                           | (467,123)   | (209,710)                                  |
| Closing balance as of<br>December 31, 2014                        | 937,279                     | 57,988   | 167,006          | 6,954,089                     | 51,009  | 43,783   | 1,965                    | 56,523                           | 2,503,434   | 10,773,076                                 |

(\*) During the first half of 2014 four Boeing 777-300ER aircraft were sold and subsequently leased.



(b) Composition of the fleet:

| Aircraft     | Model     | Aircraft included<br>in the Company's Property,<br>plant and equipment |                               | Operating leases              |                               | Total fleet                   |                               |
|--------------|-----------|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|              |           | As of<br>December 31,<br>2014  | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|              |           | Boeing 767   | 300                           | —                             | 3                             | —                             | —                             |
| Boeing 767   | 300ER     | 34   | 34                            | 4                             | 6                             | 38                            | 40                            |
| Boeing 767   | 300F      | 8(1)   | 8                             | 3                             | 4                             | 11(1)                         | 12                            |
| Boeing 777   | 300ER     | 4  | 8                             | 6                             | 2                             | 10                            | 10                            |
| Boeing 777   | Freighter | 2  | 2                             | 2                             | 2                             | 4                             | 4                             |
| Boeing 787   | 800       | 6  | 3                             | 4                             | 2                             | 10                            | 5                             |
| Airbus A319  | 100       | 40   | 39                            | 12                            | 15                            | 52                            | 54                            |
| Airbus A320  | 200       | 95   | 95                            | 63                            | 65                            | 158                           | 160                           |
| Airbus A321  | 200       | 18   | 9                             | 3                             | 1                             | 21                            | 10                            |
| Airbus A330  | 200       | 8  | 8                             | 5                             | 12                            | 13                            | 20                            |
| Airbus A340  | 300       | 3  | —                             | —                             | 4                             | 3                             | 4                             |
| Airbus A340  | 500       | —  | 2                             | —                             | —                             | —                             | 2                             |
| Boeing 737   | 700       | —  | —                             | —                             | 5                             | —                             | 5                             |
| Bombardier   | Dhc8-200  | 2  | —                             | 5                             | 7                             | 7                             | 7                             |
| Bombardier   | Dhc8-400  | —  | —                             | —                             | 3                             | —                             | 3                             |
| <b>Total</b> |           | <b>220</b>   | <b>211</b>                    | <b>107</b>                    | <b>128</b>                    | <b>327</b>                    | <b>339</b>                    |

(1) Two aircraft leased to FEDEX

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

|                                     | Method   | Useful life |         |
|-------------------------------------|--|-------------|---------|
|                                     |  | minimum     | maximum |
| Buildings                           | Straight line without residual value   | 20          | 50      |
| Plant and equipment                 | Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*) | 5           | 20      |
| Information technology equipment    | Straight line without residual value   | 5           | 10      |
| Fixed installations and accessories | Straight line without residual value   | 10          | 10      |
| Motor vehicle                       | Straight line without residual value   | 10          | 10      |
| Leasehold improvements              | Straight line without residual value   | 5           | 5       |
| Other property, plant and equipment | Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*) | 3           | 20      |

(\*) Except for certain technical components, which are depreciated on the basis of cycles and flight hours.

The aircraft with remarketing clause (\*\*) under modality of financial leasing, which are depreciated according to the duration of their contracts, between 12 and 18 years. Its residual values are estimated according to market value at the end of such contracts.

(\*\*) Aircraft with remarketing clause are those that are required to sell at the end of the contract. The depreciation charged to income in the period, which is included in the consolidated statement of income, amounts to ThUS\$ 777,936 (ThUS\$ 830,474 at December 31, 2013 and 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.





(d) Additional information regarding Property, plant and equipment:

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

In the period ended December 31, 2014, were added direct guarantees by nine Airbus A321-200 aircraft and three Boeing 787-800 aircraft. Additionally, as a result of fleet transfer plan from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company added direct guarantees associated with three Airbus A319-100 aircraft, twenty one Airbus A320-200 aircraft and seven Airbus A321-200 aircraft.

Moreover, the Company sold its interest in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC, Tricahue Leasing LLC and Loica Leasing Limited. Products of the above direct guarantees associated with seven Boeing 767-300, two Airbus A319-100 and two Airbus A320-200 aircraft were removed.

Additionally, as a result of sale, direct guarantees associated with four Boeing 777-300 aircraft were removed.

Description of Property, plant and equipment pledged as guarantee:

| Creditor of guarantee         | Assets committed     |                  | As of December 31, 2014 |                  | As of December 31, 2013 |                  |
|-------------------------------|----------------------|------------------|-------------------------|------------------|-------------------------|------------------|
|                               |                      |                  | Existing Debt           | Book Value       | Existing Debt           | Book Value       |
|                               |                      |                  | ThUS\$                  | ThUS\$           | ThUS\$                  | ThUS\$           |
| Wilmington Trust Company      | Aircraft and engines | Boeing 767       | 1,001,311               | 1,277,357        | 1,437,810               | 1,827,349        |
| Banco Santander S.A.          | Aircraft and engines | Boeing 777 / 787 | 452,622                 | 518,788          | 777,796                 | 880,470          |
|                               |                      | Airbus A319      | 66,318                  | 100,485          | 74,042                  | 105,353          |
|                               |                      | Airbus A320      | 585,008                 | 788,706          | 643,945                 | 829,185          |
|                               |                      | Airbus A321      | 39,739                  | 45,161           | 43,071                  | 49,208           |
| BNP Paribas                   | Aircraft and engines | Airbus A319      | 174,714                 | 238,103          | 209,993                 | 281,846          |
|                               |                      | Airbus A320      | 162,304                 | 207,881          | 199,114                 | 257,857          |
| Credit Agricole               | Aircraft and engines | Airbus A319      | 55,797                  | 121,038          | 32,251                  | 99,241           |
|                               |                      | Airbus A320      | 157,514                 | 219,460          | 96,774                  | 153,531          |
|                               |                      | Airbus A321      | 60,288                  | 63,939           | —                       | —                |
| JP Morgan                     | Aircraft and engines | Boeing 777       | 237,463                 | 278,169          | 259,272                 | 292,486          |
| Wells Fargo                   | Aircraft and engines | Airbus A320      | 305,949                 | 360,064          | 331,854                 | 384,273          |
| Bank of Utah                  | Aircraft and engines | Airbus A320      | 259,260                 | 327,094          | 277,622                 | 347,765          |
| DVB Bank SE                   | Aircraft and engines | Boeing 767       | —                       | —                | 95,292                  | 151,824          |
| Natixis                       | Aircraft and engines | Airbus A320      | 48,814                  | 55,946           | —                       | —                |
|                               |                      | Airbus A321      | 405,416                 | 488,198          | —                       | —                |
| Citibank N. A.                | Aircraft and engines | Airbus A320      | 142,591                 | 146,535          | —                       | —                |
|                               |                      | Airbus A321      | 55,836                  | 59,452           | —                       | —                |
| HSBC                          | Aircraft and engines | Airbus A320      | 59,005                  | 59,342           | —                       | —                |
| KfW IPEX-Bank                 | Aircraft and engines | Airbus A320      | 16,088                  | 17,516           | —                       | —                |
| PK AirFinance US, Inc.        | Aircraft and engines | Airbus A320      | 69,721                  | 70,102           | —                       | —                |
| <b>Total direct guarantee</b> |                      |                  | <b>4,355,758</b>        | <b>5,443,336</b> | <b>4,478,836</b>        | <b>5,660,388</b> |

The amounts of existing debt are presented at nominal value. Book value corresponds to the carrying value of the goods provided as guarantees.



Additionally, there are indirect guarantees related to assets recorded in Property, plant and equipment whose total debt at December 31, 2014 amounted to ThUS\$ 1,626,257 (ThUS\$ 2,167,470 at December 31, 2013). The book value of assets with indirect guarantees as of December 31, 2014 amounts to ThUS\$ 2,335,135 (ThUS\$ 2,767,593 as of December 31, 2013).

(ii) Commitments and others

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

|  | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|--|---|---|
| Gross book value of fully depreciated property, plant and equipment still in use | 138,960                                 | 160,116                                 |
| Commitments for the acquisition of aircraft (*)                                  | 21,500,000                              | 23,900,000                              |

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

Purchase commitment of aircraft

| Manufacturer       | Year of delivery |      |      |      |      |      |      | Total |
|--------------------|------------------|------|------|------|------|------|------|-------|
|                    | 2015             | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |       |
| Airbus S.A.S.      | 16               | 23   | 26   | 31   | 11   | 12   | 5    | 124   |
| A320-NEO           | —                | 2    | 18   | 16   | 8    | 8    | —    | 52    |
| A321               | 15               | 15   | —    | —    | —    | —    | —    | 30    |
| A321-NEO           | —                | —    | —    | 6    | —    | 4    | 5    | 15    |
| A350               | 1                | 6    | 8    | 9    | 3    | —    | —    | 27    |
| The Boeing Company | 3                | 5    | 6    | 4    | —    | —    | —    | 18    |
| B777               | —                | —    | 2    | —    | —    | —    | —    | 2     |
| B787-8             | —                | —    | 4    | 4    | —    | —    | —    | 8     |
| B787-9             | 3                | 5    | —    | —    | —    | —    | —    | 8     |
| Total              | 19               | 28   | 32   | 35   | 11   | 12   | 5    | 142   |

In July 2014 the cancellation of 4 Airbus A320 was signed and changing 12 Airbus A320 aircraft for 12 Airbus A320 NEO aircraft. In December 2014 a contract was signed changing 4 Airbus A320 aircraft for 4 Airbus A320 NEO aircraft and changing 4 Airbus A321 aircraft for 4 Airbus A321 NEO aircraft.

At December 31, 2014, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., remain to receive 97 aircraft Airbus A320 family, with deliveries between 2015 and 2021, and 27 Airbus aircraft A350 family with delivery dates starting from 2015.

The approximate amount is ThUS\$ 17,600,000, according to the manufacturer's price list. Additionally, the Company has valid purchase options for 5 Airbus A350 aircraft.



As of December 31, 2014, and as a result of different aircraft purchase contracts signed with The Boeing Company, remain to receive a total of sixteen 787 Dreamliner aircraft, with delivery dates between 2015 and 2018, and two 777 with delivery expected for 2017.

The approximate amount, according to the manufacturer's price list, is ThUS\$ 3,900,000. Additionally, the Company has valid purchase options for 2 Boeing 777 aircraft.

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

|  |        | For the periods ended |        |        |
|--|--------|-----------------------|--------|--------|
|  |        | December 31,          |        |        |
|  |        | 2014                  | 2013   | 2012   |
| Average rate of capitalization of capitalized interest costs | %      | 2.84                  | 3.63   | 2.60   |
| Costs of capitalized interest                                | ThUS\$ | 18,426                | 25,625 | 45,069 |

(iv) Financial leases

The detail of the main financial leases is as follows:

| Lessor                               | Aircraft    | Model | As of                | As of                |
|--------------------------------------|-------------|-------|----------------------|----------------------|
|                                      |             |       | December 31,<br>2014 | December 31,<br>2013 |
| Agonandra Statutory Trust            | Airbus A319 | 100   | 4                    | 4                    |
| Agonandra Statutory Trust            | Airbus A320 | 200   | 2                    | 2                    |
| Air Canada                           | Airbus A340 | 500   | —                    | 2                    |
| AWMS I (AWAS)                        | Boeing 767  | 300   | —                    | 3                    |
| Becacina Leasing LLC                 | Boeing 767  | 300ER | 1                    | —                    |
| Caiquen Leasing LLC                  | Boeing 767  | 300F  | 1                    | 1                    |
| Cernicalo Leasing LLC                | Boeing 767  | 300F  | 2                    | 2                    |
| Chirihue Leasing Trust               | Boeing 767  | 300F  | 2                    | 2                    |
| Cisne Leasing LLC                    | Boeing 767  | 300ER | 2                    | —                    |
| Codorniz Leasing Limited             | Airbus A319 | 100   | 2                    | 2                    |
| Conure Leasing Limited               | Airbus A320 | 200   | 2                    | 2                    |
| Flamenco Leasing LLC                 | Boeing 767  | 300ER | 1                    | —                    |
| FLYAFI 1 S.R.L.                      | Boeing 777  | 300ER | 1                    | 1                    |
| FLYAFI 2 S.R.L.                      | Boeing 777  | 300ER | 1                    | 1                    |
| FLYAFI 3 S.R.L.                      | Boeing 777  | 300ER | 1                    | 1                    |
| Forderum Holding B.V. (GECAS)        | Airbus A320 | 200   | 2                    | 2                    |
| Garza Leasing LLC                    | Boeing 767  | 300ER | 1                    | 1                    |
| General Electric Capital Corporation | Airbus A330 | 200   | 3                    | 3                    |
| Intraelo BETA Corpotation (KFW)      | Airbus A320 | 200   | 1                    | 1                    |
| Juliana Leasing Limited              | Airbus A320 | 200   | 2                    | 2                    |
| Linnnet Leasing Limited              | Airbus A320 | 200   | 4                    | 4                    |
| Loica Leasing Limited                | Airbus A319 | 100   | 2                    | —                    |
| Loica Leasing Limited                | Airbus A320 | 200   | 2                    | —                    |
| Mirlo Leasing LLC                    | Boeing 767  | 300ER | 1                    | 1                    |



| Lessor  | Aircraft    | Model | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|---|-------------|-------|-------------------------------|-------------------------------|
| NBB Rio de Janeiro Lease CO and Brasilia Lease LLC (BBAM) | Airbus A320 | 200   | 1                             | 1                             |
| NBB São Paulo Lease CO. Limited (BBAM)                    | Airbus A321 | 200   | 1                             | 1                             |
| Osprey Leasing Limited                                    | Airbus A319 | 100   | 8                             | 8                             |
| Petrel Leasing LLC  | Boeing 767  | 300ER | 1                             | 1                             |
| Pochard Leasing LLC                                       | Boeing 767  | 300ER | 2                             | 2                             |
| Quetro Leasing LLC  | Boeing 767  | 300ER | 3                             | 3                             |
| SG Infraestructura Italia S.R.L.                          | Boeing 777  | 300ER | 1                             | 1                             |
| SL Alcyone LTD (Showa)                                    | Airbus A320 | 200   | 1                             | 1                             |
| TMF Interlease Aviation B.V.                              | Airbus A320 | 200   | 1                             | 12                            |
| TMF Interlease Aviation B.V.                              | Airbus A330 | 200   | 1                             | 1                             |
| TMF Interlease Aviation II B.V.                           | Airbus A319 | 100   | 5                             | 5                             |
| TMF Interlease Aviation II B.V.                           | Airbus A320 | 200   | 2                             | 2                             |
| TMF Interlease Aviation III B.V.                          | Airbus A319 | 100   | —                             | 3                             |
| TMF Interlease Aviation III B.V.                          | Airbus A320 | 200   | —                             | 12                            |
| TMF Interlease Aviation III B.V.                          | Airbus A321 | 200   | —                             | 7                             |
| Tricahue Leasing LLC                                      | Boeing 767  | 300ER | 3                             | —                             |
| Wacapou Leasing S.A                                       | Airbus A320 | 200   | 1                             | 1                             |
| Wells Fargo Bank North National Association (ILFC)        | Airbus A330 | 200   | —                             | 1                             |
| <b>Total</b>  |             |       | <b>71</b>                     | <b>99</b>                     |

Financial leasing contracts where the Company acts as the lessee of aircrafts establish duration between 12 and 18 year terms and semi-annual, quarterly and monthly payments of obligations.

Additionally, the lessee will have the obligation to contract and maintain active the insurance coverage for the aircraft, perform maintenance on the aircraft and update the airworthiness certificates at their own cost.

Fixed assets acquired under financial leases are classified as Other property, plant and equipment. As of December 31, 2014 the Company had seventy one aircraft (ninety nine aircraft as of December 31, 2013).

During the period ended December 2014, due to the sale of its participation in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC, Tricahue Leasing LLC and Loica Leasing Limited, the Company increased its number of aircraft on lease by seven Boeing 767-300, two Airbus A319-100 and two Airbus A320-200 aircraft. Therefore, these aircraft were reclassified from the Plant and equipment category to the category Other property plant and equipment.

During the third quarter of 2014 the option was exercised to purchase one A330-200 and during the fourth quarter of 2014 the option were exercised to purchase two A320-200 aircraft. Therefore, this aircraft was reclassified from the Other property plant and equipment category to the category Plant and equipment.

For other hand, as a result of fleet transfer plan from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company decreases its number of aircraft on lease by three Airbus A319-100 aircraft, twenty one Airbus A320-200 and seven Airbus A321-200 aircraft as a result of modifications in its financial contracts. Therefore, these aircraft were reclassified from the Other property plant and equipment category to the category Plant and equipment.



Additionally, as a result of the leasing contracts had ended; the Company decreases its number of aircraft on lease by three Boeing 767-300 aircraft and two Airbus A340-500 aircraft. These aircraft were on operative leasing agreement, but according to the stated policy were classified as financial leasing.

The book value of assets under financial leases as of December 31, 2014 amounts to ThUS\$ 2,379,789 (ThUS\$ 2,840,147 as of December 31, 2013).

The minimum payments under financial leases are as follows:

|                            | As of December 31, 2014 |                  |                  | As of December 31, 2013 |                  |                  | As of December 31, 2012 |                  |                  |
|----------------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|
|                            | Gross Value             | Interest         | Present Value    | Gross Value             | Interest         | Present Value    | Gross Value             | Interest         | Present Value    |
|                            | ThUS\$                  | ThUS\$           | ThUS\$           | ThUS\$                  | ThUS\$           | ThUS\$           | ThUS\$                  | ThUS\$           | ThUS\$           |
| No later than one year     | 403,840                 | (48,197)         | 355,643          | 462,157                 | (53,925)         | 408,232          | 523,033                 | (66,090)         | 456,943          |
| Between one and five years | 1,121,190               | (97,909)         | 1,023,281        | 1,406,384               | (118,702)        | 1,287,682        | 1,687,596               | (186,145)        | 1,501,451        |
| Over five years            | 261,877                 | (6,409)          | 255,468          | 633,120                 | (19,562)         | 613,558          | 1,135,262               | (57,455)         | 1,077,807        |
| Total                      | <u>1,786,907</u>        | <u>(152,515)</u> | <u>1,634,392</u> | <u>2,501,661</u>        | <u>(192,189)</u> | <u>2,309,472</u> | <u>3,345,891</u>        | <u>(309,690)</u> | <u>3,036,201</u> |

**NOTE 17 - CURRENT AND DEFERRED TAXES**

In the period ended December 31, 2014, the income tax provision was calculated at the rate of 21% for the business year 2014, in accordance with the recently enacted Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

Among the main changes is the progressive increase of the First Category Tax which will reach 27% in 2018 if the “Partially Integrated Taxation System”(\*) is chosen. Alternatively, if the Company chooses the “Attributed Income Taxation System”(\*) the top rate would reach 25% in 2017.

As LATAM Airlines Group S.A. is a public company, by default it must choose the “Partially Integrated Taxation System”, unless a future Extraordinary Meeting of Shareholders of the Company agrees, by a minimum of 2/3 of the votes, to choose the “Attributed Income Taxation System”. This decision must be taken at the latest in the last quarter of 2016.

The effects of the updating of deferred tax assets and liabilities according to rates changes introduced by Law No. 20,780 depending on their period back have been recorded on income for the period. The total effect on income was ThUS \$ 150,210, which is explained by an increase in deferred tax assets of ThUS\$ 87 and an increase in deferred tax liabilities of ThUS\$ 145,253 and an increase in equity by deferred tax of ThUS\$ 5,044. The net effect on the assets and liabilities by deferred tax is an increase on liabilities for ThUS\$ 145,166.

Deferred tax assets and liabilities are offset if there is a legal right to offset assets and liabilities for income taxes relating to the same entity and tax authority.



(\*) The Partially Integrated Taxation System is one of the tax regimes approved through the Tax Reform previously mentioned, which is based on the taxation by the perception of profits and the Attributed Income Taxation System is based on the taxation by the accrual of profits.

(a) Current taxes

(a.1) The composition of the current tax assets is the following:

|   | Current assets                |                               | Non-current assets            |                               | Total assets                  |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|   | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| Provisional monthly payments (advances) | 68,752                        | 61,570                        | —                             | —                             | 68,752                        | 61,570                        |
| Other recoverable credits               | 31,956                        | 20,320                        | 17,663                        | —                             | 49,619                        | 20,320                        |
| <b>Total current tax assets</b>         | <b>100,708</b>                | <b>81,890</b>                 | <b>17,663</b>                 | <b>—</b>                      | <b>118,371</b>                | <b>81,890</b>                 |

(a.2) The composition of the current tax liabilities are as follows:

|                                      | Current liabilities           |                               | Non-current liabilities       |                               | Total liabilities             |                               |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                      | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|                                      | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| Income tax provision                 | 16,712                        | 9,919                         | —                             | —                             | 16,712                        | 9,919                         |
| Additional tax provision             | 1,177                         | 1,664                         | —                             | —                             | 1,177                         | 1,664                         |
| <b>Total current tax liabilities</b> | <b>17,889</b>                 | <b>11,583</b>                 | <b>—</b>                      | <b>—</b>                      | <b>17,889</b>                 | <b>11,583</b>                 |

(b) Deferred taxes

The balances of deferred tax are the following:

| Concept                                   | Assets                        |                               | Liabilities                   |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|   | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| Depreciation                              | (23,675)                      | (17,152)                      | 847,965                       | 557,845                       |
| Leased assets                             | (102,457)                     | (147,074)                     | 83,318                        | 46,688                        |
| Amortization                              | (31,750)                      | (10,778)                      | 128,350                       | 113,579                       |
| Provisions                                | 416,153                       | 317,883                       | 65,076                        | (207,358)                     |
| Revaluation of financial instruments      | 270                           | 562                           | (12,536)                      | (15,508)                      |
| Tax losses                                | 151,569                       | 267,189                       | (571,180)                     | (284,339)                     |
| Revaluation property, plant and equipment | —                             | —                             | (5,999)                       | (18,544)                      |
| Intangibles                               | —                             | —                             | 523,275                       | 593,325                       |
| Others                                    | (2,787)                       | (7,668)                       | (6,375)                       | (18,460)                      |
| <b>Total</b>                              | <b>407,323</b>                | <b>402,962</b>                | <b>1,051,894</b>              | <b>767,228</b>                |

The balance of deferred tax assets and liabilities are composed principally of temporary differences to reverse in the long term.



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## Movements of Deferred tax assets and liabilities:

## (a) From January 1 to December 31, 2012

|  | Opening<br>balance<br>Assets/(liabilities)<br>ThUS\$ | Recognized in<br>consolidated<br>income<br>ThUS\$ | Recognized in<br>comprehensive<br>income<br>ThUS\$ | Incorporation<br>by business<br>combination<br>ThUS\$ | Exchange<br>rate<br>variation<br>ThUS\$ | Effect from<br>change in<br>tax rate<br>ThUS\$ | Others<br>ThUS\$ | Ending<br>balance<br>Asset (liability)<br>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<br>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,<br>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

|   | Opening<br>balance<br>Assets/(liabilities)<br>ThUS\$ | Recognized in<br>consolidated<br>income<br>ThUS\$ | Recognized in<br>comprehensive<br>income<br>ThUS\$ | Exchange<br>rate<br>variation<br>ThUS\$ | Others<br>ThUS\$ | Ending<br>balance<br>Asset (liability)<br>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>                                 |



(c) From January 1 to December 31, 2014

|  | Opening<br>balance          | Recognized in<br>consolidated | Recognized in<br>comprehensive | Exchange<br>rate | Effect from<br>change in | Others           | Ending<br>balance        |
|--|-----------------------------|-------------------------------|--------------------------------|------------------|--------------------------|------------------|--------------------------|
|  | <u>Assets/(liabilities)</u> | <u>income</u>                 | <u>income</u>                  | <u>variation</u> | <u>tax rate</u>          |                  | <u>Asset (liability)</u> |
|  | ThUS\$                      | ThUS\$                        | ThUS\$                         | ThUS\$           | ThUS\$                   | ThUS\$           | ThUS\$                   |
| Depreciation                                 | (574,997)                   | (74,623)                      | —                              | 3,575            | (225,595)                | —                | (871,640)                |
| Leased assets                                | (193,762)                   | 47,749                        | —                              | 3,267            | (43,029)                 | —                | (185,775)                |
| Amortization                                 | (124,357)                   | (21,621)                      | —                              | 1,928            | (16,050)                 | —                | (160,100)                |
| Provisions                                   | 525,241                     | (99,262)                      | —                              | (53,090)         | (21,812)                 | —                | 351,077                  |
| Revaluation of financial<br>instruments      | 16,070                      | (53,675)                      | 47,979                         | (1,331)          | 3,763                    | —                | 12,806                   |
| Tax losses (*)                               | 551,528                     | 147,798                       | —                              | (13,968)         | 163,596                  | (126,205)        | 722,749                  |
| Revaluation property, plant and<br>equipment | 18,544                      | (6,384)                       | —                              | (6,161)          | —                        | —                | 5,999                    |
| Intangibles                                  | (593,325)                   | —                             | —                              | 70,050           | —                        | —                | (523,275)                |
| Others                                       | 10,792                      | 13,455                        | —                              | (26,200)         | (6,039)                  | 11,580           | 3,588                    |
| Total  | <u>(364,266)</u>            | <u>(46,563)</u>               | <u>47,979</u>                  | <u>(21,930)</u>  | <u>(145,166)</u>         | <u>(114,625)</u> | <u>(644,571)</u>         |

(\*) In relation to the Tax Recovery Program (REFIS), established in Law No. 11,941/09, the Provisional Measure No. 651/2014 approved by the Brazilian National Congress and signed into Law No. 13,043/14, in its Section VIII, Article 33, establishes that taxpayers that have tax debts can anticipate paying their tax debt by using tax credits related to tax loss carryforwards up to an amount of 70% of the total debt if they pay the other 30% in cash. The Company adhered to the program and paid its debt through this mechanism.

Therefore, the company TAM Linhas Aéreas S.A. decreased its liability associated with the REFIS program using its deferred tax assets related to its tax loss of ThUS \$ 126,205 at December 31, 2014, generating no effect on the outcome of tax.





Deferred tax assets not recognized:

|  | As of<br>December 31,<br>2014<br><u>ThUS\$</u> | As of<br>December 31,<br>2013<br><u>ThUS\$</u> |
|--|--|--|
| Tax losses                               | 2,781  | 6,538  |
| Total Deferred tax assets not recognized | <u>2,781</u>                                   | <u>6,538</u>                                   |

Deferred tax assets on tax loss carry-forwards, are recognized to the extent that it is likely to provide relevant tax benefit through future taxable profits. The Company has not recognized deferred tax assets of ThUS\$ 2,781 (ThUS\$ 6,538 at December 31, 2013) compared to a loss of ThUS\$ 11,620 (ThUS\$ 28,855 at December 31, 2013) to offset against future years tax benefits.

Deferred tax expense and current income taxes:

|  | <u>2014</u><br><u>ThUS\$</u> | For the periods ended<br>December 31,<br><u>2013</u><br><u>ThUS\$</u> | <u>2012</u><br><u>ThUS\$</u> |
|--|------------------------------|---|------------------------------|
| <b>Current tax expense</b>   |                              |   |                              |
| Current tax expense  | 97,782                       | 73,611  | 34,563                       |
| Adjustment to previous period's current tax  | (2,151)                      | (561)   | (13,886)                     |
| Other current tax expense  | —                            | —   | 12                           |
| Total current tax expense, net   | <u>95,631</u>                | <u>73,050</u>   | <u>20,689</u>                |
| <b>Deferred tax expense</b>  |                              |   |                              |
| Deferred expense for taxes related to the creation and reversal of temporary differences     | 196,676                      | (92,863)  | 80,293                       |
| Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness | 97                           | (256)   | 1,404                        |
| Total deferred tax expense, net  | <u>196,773</u>               | <u>(93,119)</u>   | <u>81,697</u>                |
| Income tax expense   | <u>292,404</u>               | <u>(20,069)</u>   | <u>102,386</u>               |



Composition of income tax expense (income):

|                                    | For the periods ended |           |          |
|------------------------------------|-----------------------|-----------|----------|
|                                    | December 31,          |           |          |
|                                    | 2014                  | 2013      | 2012     |
|                                    | ThUS\$                | ThUS\$    | ThUS\$   |
| Current tax expense, net, foreign  | 92,272                | 61,118    | 30,827   |
| Current tax expense, net, Chile    | 3,359                 | 11,932    | (10,138) |
| Total current tax expense, net     | 95,631                | 73,050    | 20,689   |
| Deferred tax expense, net, foreign | 168,049               | (112,047) | (53,842) |
| Deferred tax expense, net, Chile   | 28,724                | 18,928    | 135,539  |
| Deferred tax expense, net, total   | 196,773               | (93,119)  | 81,697   |
| Income tax expense                 | 292,404               | (20,069)  | 102,386  |

Profit before tax by the legal tax rate in Chile (21%)

|   | For the periods ended |          |              |          |              |          |
|---|-----------------------|----------|--------------|----------|--------------|----------|
|   | December 31,          |          | December 31, |          | December 31, |          |
|   | 2014                  | 2013     | 2012         | 2014     | 2013         | 2012     |
|   | ThUS\$                | ThUS\$   | ThUS\$       | %        | %            | %        |
| Tax expense using the legal rate                      | 6,805(2)              | (61,035) | 22,633(1)    | 21.00(2) | 20.00        | 20.00(1) |
| Tax effect by change in tax rate                      | 150,210               | —        | 70,441       | 463.55   | —            | 62.24    |
| Tax effect of rates in other jurisdictions            | 112,563               | (34,287) | (10,512)     | 347.37   | 11.24        | (9.28)   |
| Tax effect of non-taxable operating revenues          | (60,960)              | (24,004) | (7,029)      | (188.12) | 7.87         | (6.21)   |
| Tax effect of disallowable expenses                   | 88,643                | 98,211   | 27,437       | 273.55   | (32.18)      | 24.24    |
| Other increases (decreases) in legal tax charge       | (4,857)               | 1,046    | (584)        | (14.99)  | (0.34)       | (0.52)   |
| Total adjustments to tax expense using the legal rate | 285,599               | 40,966   | 79,753       | 881.36   | (13.41)      | 70.47    |
| Tax expense using the effective rate                  | 292,404               | (20,069) | 102,386      | 902.36   | 6.59         | 90.47    |

(1) 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.

(2) On September 29, 2014, Law No. 20,780 “Amendment to the system of income taxation and introduces various adjustments in the tax system.” was published in the Official Journal of the Republic of Chile. Within major tax reforms that law contains is modified gradually from 2014 to 2018 the First- Category Tax rate to be declared and paid starting in tax year 2015. Thus, at December 31, 2014, the Company recognized a loss ThUS\$ 150,210 as a result of the rate increase.



Deferred taxes related to items charged to net equity:

|   | For the period ended<br>December 31, |                 |
|---|--------------------------------------|-----------------|
|   | 2014<br>ThUS\$                       | 2013<br>ThUS\$  |
| Aggregate deferred taxation of components of other comprehensive income | 40,227                               | (19,345)        |
| Tax effect by change legal tax rate in other comprehensive income (*)   | 7,752                                | —               |
| Aggregate deferred taxation related to items charged to net equity      | (3,389)                              | (3,440)         |
| Tax effect by change legal tax rate in net equity (*)                   | (2,708)                              | —               |
| Total deferred taxes related to items charged to net equity             | <u>41,882</u>                        | <u>(22,785)</u> |

(\*) Correspond to the tax by tax rate increases Law No. 20,780, tax reform, published in the Official Journal of the Republic of Chile on September 29, 2014.

NOTE 18 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

|   | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|---|-------------------------------|-------------------------------|
|   | ThUS\$                        | ThUS\$                        |
| <b>Current</b>                            |                               |                               |
| (a) Interest bearing loans                | 1,397,382                     | 1,969,281                     |
| (b) Derivatives not recognized as a hedge | 1,190                         | 4,040                         |
| (c) Hedge derivatives                     | 226,043                       | 66,466                        |
| Total current                             | <u>1,624,615</u>              | <u>2,039,787</u>              |
| <b>Non-current</b>                        |                               |                               |
| (a) Interest bearing loans                | 7,360,685                     | 7,803,588                     |
| (b) Derivatives not recognized as a hedge | —                             | 1,491                         |
| (c) Hedge derivatives                     | 28,327                        | 54,906                        |
| Total non-current                         | <u>7,389,012</u>              | <u>7,859,985</u>              |



(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

|   | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|---|-------------------------------|-------------------------------|
|   | ThUS\$                        | ThUS\$                        |
| <b>Current</b>                                |                               |                               |
| Loans to exporters                            | 327,278                       | 401,263                       |
| Bank loans                                    | 98,711                        | 602,618                       |
| Guaranteed obligations                        | 472,864                       | 455,512                       |
| Other guaranteed obligations                  | 61,872                        | 31,109                        |
| Subtotal bank loans                           | 960,725                       | 1,490,502                     |
| Obligation with the public                    | 21,206                        | 21,761                        |
| Financial leases                              | 364,514                       | 423,537                       |
| Other loans                                   | 50,937                        | 33,481                        |
| Total current                                 | <u>1,397,382</u>              | <u>1,969,281</u>              |
| <b>Non-current</b>                            |                               |                               |
| Bank loans                                    | 415,667                       | 322,207                       |
| Guaranteed obligations                        | 3,765,518                     | 3,776,910                     |
| Other guaranteed obligations                  | 93,992                        | 64,247                        |
| Subtotal bank loans                           | 4,275,177                     | 4,163,364                     |
| Obligation with the public                    | 1,111,481                     | 1,116,671                     |
| Financial leases                              | 1,344,520                     | 1,902,715                     |
| Other loans                                   | 629,507                       | 620,838                       |
| Total non-current                             | <u>7,360,685</u>              | <u>7,803,588</u>              |
| Total obligations with financial institutions | <u>8,758,067</u>              | <u>9,772,869</u>              |

All interest-bearing liabilities are recorded using the effective interest rate method. Under IFRS, the effective interest rate for loans with a fixed interest rate does not vary throughout the loan, while in the case of loans with variable interest rates, the effective rate changes on each date of reprising of the loan.

Currency balances that make the interest bearing loans:

|                     | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|---------------------|-------------------------------|-------------------------------|
|                     | ThUS\$                        | ThUS\$                        |
| <b>Currency</b>     |                               |                               |
| Argentine peso      | 39,053                        | 43,335                        |
| Brazilian real      | 53,410                        | 76,674                        |
| Chilean peso (U.F.) | 187,614                       | 267,554                       |
| Euro                | 547                           | 2,029                         |
| US Dollar           | 8,477,443                     | 9,383,277                     |
| Total               | <u>8,758,067</u>              | <u>9,772,869</u>              |



Interest-bearing loans due in installments to December 31, 2014  
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

| Tax No.                      | Lender                 | Country   | Currency | Up to 90 days | Nominal values                |                              |                               |                      |             | Up to 90 days | Accounting values             |                              |                               |                      |                        | Effective rate | Nominal rate |              |  |  |
|------------------------------|------------------------|-----------|----------|---------------|-------------------------------|------------------------------|-------------------------------|----------------------|-------------|---------------|-------------------------------|------------------------------|-------------------------------|----------------------|------------------------|----------------|--------------|--------------|--|--|
|                              |                        |           |          |               | More than 90 days to one year | More than one to three years | More than three to five years | More than five years | Total value |               | More than 90 days to one year | More than one to three years | More than three to five years | More than five years | Total accounting value |                |              | Amortization |  |  |
| 97032000-8                   | BBVA                   | Chile     | US\$     | 100,000       | —                             | —                            | —                             | —                    | 100,000     | 100,058       | —                             | —                            | —                             | —                    | 100,058                | At expiration  | 0.40         | 0.40         |  |  |
| 97036000-K                   | SANTANDER              | Chile     | US\$     | 45,000        | —                             | —                            | —                             | —                    | 45,000      | 45,040        | —                             | —                            | —                             | —                    | 45,040                 | At expiration  | 0.34         | 0.34         |  |  |
| 97030000-7                   | ESTADO                 | Chile     | US\$     | 55,000        | —                             | —                            | —                             | —                    | 55,000      | 55,022        | —                             | —                            | —                             | —                    | 55,022                 | At expiration  | 0.52         | 0.52         |  |  |
| 97006000-6                   | BCI                    | Chile     | US\$     | 100,000       | —                             | —                            | —                             | —                    | 100,000     | 100,140       | —                             | —                            | —                             | —                    | 100,140                | At expiration  | 0.47         | 0.47         |  |  |
| 76645030-K                   | ITAU                   | Chile     | US\$     | 15,000        | —                             | —                            | —                             | —                    | 15,000      | 15,018        | —                             | —                            | —                             | —                    | 15,018                 | At expiration  | 0.65         | 0.65         |  |  |
| 97951000-4                   | HSBC                   | Chile     | US\$     | 12,000        | —                             | —                            | —                             | —                    | 12,000      | 12,000        | —                             | —                            | —                             | —                    | 12,000                 | At expiration  | 0.50         | 0.50         |  |  |
| Bank loans                   |                        |           |          |               |                               |                              |                               |                      |             |               |                               |                              |                               |                      |                        |                |              |              |  |  |
| 97023000-9                   | CORPBANCA              | Chile     | UF       | 14,242        | 42,725                        | 113,934                      | 17,367                        | —                    | 188,268     | 15,542        | 42,725                        | 112,160                      | 17,187                        | —                    | 187,614                | Quarterly      | 4.85         | 4.85         |  |  |
| 0-E                          | CITIBANK               | Argentina | ARS      | —             | 17,542                        | —                            | —                             | —                    | 17,542      | 122           | 17,542                        | —                            | —                             | —                    | 17,664                 | Monthly        | 31.00        | 31.00        |  |  |
| 0-E                          | BBVA                   | Argentina | ARS      | —             | 21,050                        | —                            | —                             | —                    | 21,050      | 339           | 21,050                        | —                            | —                             | —                    | 21,389                 | Monthly        | 33.00        | 33.00        |  |  |
| 97036000-K                   | BBVA                   | Chile     | US\$     | —             | —                             | 282,967                      | —                             | —                    | 282,967     | 928           | —                             | —                            | —                             | 283,895              | Quarterly              | 2.33           | 2.33         |              |  |  |
| Guaranteed obligations       |                        |           |          |               |                               |                              |                               |                      |             |               |                               |                              |                               |                      |                        |                |              |              |  |  |
| 0-E                          | CREDIT AGRICOLE        | France    | US\$     | 17,225        | 52,658                        | 105,594                      | 62,209                        | 35,883               | 275,569     | 17,745        | 52,658                        | 105,594                      | 62,209                        | 35,883               | 274,089                | Quarterly      | 1.68         | 1.43         |  |  |
| 0-E                          | BNP PARIBAS            | U.S.A.    | US\$     | 7,815         | 24,005                        | 67,806                       | 73,475                        | 178,116              | 351,217     | 8,940         | 24,005                        | 67,248                       | 73,287                        | 178,078              | 351,558                | Quarterly      | 2.13         | 2.04         |  |  |
| 0-E                          | WELLS FARGO            | U.S.A.    | US\$     | 30,351        | 91,866                        | 251,040                      | 260,112                       | 669,599              | 1,302,968   | 34,771        | 91,866                        | 219,808                      | 245,026                       | 653,056              | 1,244,527              | Quarterly      | 2.26         | 1.57         |  |  |
| 0-E                          | CITIBANK               | U.S.A.    | US\$     | 16,624        | 50,489                        | 139,491                      | 146,931                       | 330,579              | 684,114     | 18,154        | 50,489                        | 128,993                      | 141,745                       | 323,754              | 663,135                | Quarterly      | 2.24         | 1.49         |  |  |
| 97036000-K                   | SANTANDER              | Chile     | US\$     | 5,127         | 15,545                        | 42,646                       | 44,472                        | 72,551               | 180,341     | 5,418         | 15,545                        | 40,183                       | 43,413                        | 71,879               | 176,438                | Quarterly      | 1.32         | 0.78         |  |  |
| 0-E                          | BTMU                   | U.S.A.    | US\$     | 2,649         | 8,042                         | 22,221                       | 23,393                        | 51,340               | 107,645     | 2,838         | 8,042                         | 20,557                       | 22,621                        | 50,668               | 104,726                | Quarterly      | 1.64         | 1.04         |  |  |
| 0-E                          | APPLE BANK             | U.S.A.    | US\$     | 1,296         | 3,952                         | 10,919                       | 11,516                        | 53,390               | 17,148      | 3,952         | 10,094                        | 11,131                       | 25,366                        | 51,991               | 10,919                 | Quarterly      | 1.63         | 1.03         |  |  |
| 0-E                          | US BANK                | U.S.A.    | US\$     | 14,158        | 42,960                        | 118,206                      | 123,705                       | 349,129              | 648,158     | 17,169        | 42,960                        | 97,791                       | 113,644                       | 337,272              | 608,836                | Quarterly      | 3.99         | 2.81         |  |  |
| 0-E                          | DEUTSCHE BANK          | U.S.A.    | US\$     | 4,552         | 14,031                        | 39,791                       | 24,725                        | 72,180               | 155,279     | 5,190         | 14,031                        | 39,791                       | 24,726                        | 72,180               | 155,918                | Quarterly      | 3.25         | 3.25         |  |  |
| 0-E                          | NATIXIS                | France    | US\$     | 9,739         | 29,807                        | 84,884                       | 87,304                        | 242,496              | 454,230     | 10,278        | 29,807                        | 84,884                       | 87,304                        | 242,496              | 454,769                | Quarterly      | 2.29         | 1.48         |  |  |
| 0-E                          | HSBC                   | U.S.A.    | US\$     | 4,082         | 11,249                        | 11,820                       | 11,820                        | 30,514               | 59,005      | 1,474         | 4,082                         | 11,820                       | 11,820                        | 30,514               | 59,139                 | Quarterly      | 2.29         | 1.81         |  |  |
| 0-E                          | PK Airfinance          | U.S.A.    | US\$     | 1,755         | 5,452                         | 16,014                       | 18,412                        | 28,088               | 69,721      | 1,810         | 5,452                         | 16,014                       | 18,412                        | 28,088               | 69,776                 | Quarterly      | 1.86         | 1.86         |  |  |
| 0-E                          | KFV IPEX-BANK          | U.S.A.    | US\$     | 611           | 1,885                         | 5,568                        | 4,334                         | 3,690                | 16,088      | 613           | 1,885                         | 5,568                        | 4,334                         | 3,690                | 16,090                 | Quarterly      | 2.10         | 2.10         |  |  |
| —                            | SWAP Aircraft arrivals | —         | US\$     | 595           | 1,647                         | 3,333                        | 1,658                         | 157                  | 7,390       | 595           | 1,647                         | 3,333                        | 1,658                         | 157                  | 7,390                  | Quarterly      | —            | —            |  |  |
| Other guaranteed obligations |                        |           |          |               |                               |                              |                               |                      |             |               |                               |                              |                               |                      |                        |                |              |              |  |  |
| 0-E                          | DVB BANK SE            | U.S.A.    | US\$     | 7,877         | 23,877                        | 32,492                       | —                             | 64,246               | 7,920       | 23,878        | 32,492                        | —                            | —                             | —                    | 64,290                 | Quarterly      | 2.00         | 2.00         |  |  |
| 0-E                          | CREDIT AGRICOLE        | U.S.A.    | US\$     | 7,459         | 22,378                        | 61,500                       | —                             | 91,337               | 7,696       | 22,378        | 61,500                        | —                            | —                             | —                    | 91,574                 | Quarterly      | 1.73         | 1.73         |  |  |
| Financial leases             |                        |           |          |               |                               |                              |                               |                      |             |               |                               |                              |                               |                      |                        |                |              |              |  |  |
| 0-E                          | ING                    | U.S.A.    | US\$     | 7,744         | 23,786                        | 52,041                       | 31,151                        | 11,806               | 126,528     | 8,754         | 23,786                        | 50,985                       | 30,853                        | 11,771               | 126,149                | Quarterly      | 4.84         | 4.33         |  |  |
| 0-E                          | CREDIT AGRICOLE        | France    | US\$     | 1,581         | 4,877                         | 13,955                       | —                             | 20,413               | 1,628       | 4,877         | 13,955                        | —                            | —                             | —                    | 20,460                 | Quarterly      | 1.20         | 1.20         |  |  |
| 0-E                          | CITIBANK               | U.S.A.    | US\$     | 4,409         | 13,657                        | 39,402                       | 44,177                        | 13,804               | 115,449     | 5,384         | 13,657                        | 38,125                       | 43,767                        | 13,762               | 114,695                | Quarterly      | 6.40         | 5.67         |  |  |
| 0-E                          | PERCO                  | U.S.A.    | US\$     | 14,549        | 44,742                        | 125,130                      | 63,957                        | 3,827                | 252,205     | 16,216        | 44,742                        | 122,596                      | 63,620                        | 3,819                | 250,993                | Quarterly      | 5.35         | 4.76         |  |  |
| 0-E                          | BNP PARIBAS            | U.S.A.    | US\$     | 9,457         | 29,109                        | 83,466                       | 58,792                        | 10,848               | 191,672     | 10,125        | 29,109                        | 81,305                       | 58,421                        | 10,820               | 189,980                | Quarterly      | 4.14         | 3.68         |  |  |
| 0-E                          | WELLS FARGO            | U.S.A.    | US\$     | 4,373         | 13,323                        | 37,242                       | 39,862                        | 44,525               | 139,325     | 4,830         | 13,323                        | 35,710                       | 39,264                        | 44,290               | 149,417                | Quarterly      | 3.98         | 3.53         |  |  |
| 0-E                          | DVB BANK SE            | U.S.A.    | US\$     | 4,457         | 13,545                        | 32,567                       | —                             | 50,569               | 4,545       | 13,545        | 32,567                        | —                            | —                             | —                    | 50,657                 | Quarterly      | 1.89         | 1.89         |  |  |
| 0-E                          | US BANK                | U.S.A.    | US\$     | 280           | 11,701                        | —                            | —                             | 11,981               | 280         | 280           | —                             | —                            | —                             | —                    | 11,981                 | Monthly        | —            | —            |  |  |
| 0-E                          | BANC OF AMERICA        | U.S.A.    | US\$     | 643           | 2,049                         | 2,770                        | —                             | 5,462                | 664         | 2,049         | 2,770                         | —                            | —                             | —                    | 5,483                  | Monthly        | 1.41         | 1.41         |  |  |
| Other loans                  |                        |           |          |               |                               |                              |                               |                      |             |               |                               |                              |                               |                      |                        |                |              |              |  |  |
| 0-E                          | BOEING                 | U.S.A.    | US\$     | —             | —                             | 179,507                      | 184,866                       | 101,026              | 179,507     | 3,580         | —                             | 179,507                      | —                             | —                    | 183,087                | At expiration  | 1.74         | 1.74         |  |  |
| 0-E                          | CITIBANK (*)           | U.S.A.    | US\$     | —             | —                             | 164,108                      | 1,334,238                     | 450,066              | 1,334,238   | —             | —                             | 164,108                      | 1,334,238                     | —                    | 451,588                | Quarterly      | 6.00         | 6.00         |  |  |
| Total                        |                        |           |          | 517,908       | 630,782                       | 2,139,843                    | 1,334,238                     | 2,275,865            | 6,896,636   | 543,774       | 1,500                         | 630,783                      | 2,384,054                     | 1,299,308            | 2,238,569              | 7,096,488      |              |              |  |  |

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



200GgkuJnMCOk0t%

Interest-bearing loans due in installments to December 31, 2014  
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

| Tax No. | Debtor                                     | Country    | Currency | Nominal values |                   |                              |                               |                      | Accounting values   |               |                   |                              |                               | Effective rate % | Nominal rate % |                      |                        |       |
|---------|--|------------|----------|----------------|-------------------|------------------------------|-------------------------------|----------------------|---------------------|---------------|-------------------|------------------------------|-------------------------------|------------------|----------------|----------------------|------------------------|-------|
|         |  |            |          | Up to 90 days  | More than 90 days | More than one to three years | More than three to five years | More than five years | Total nominal value | Up to 90 days | More than 90 days | More than one to three years | More than three to five years |                  |                | More than five years | Total accounting value |       |
|         |  |            | THUS\$   | THUS\$         | THUS\$            | THUS\$                       | THUS\$                        | THUS\$               | THUS\$              | THUS\$        | THUS\$            | THUS\$                       | THUS\$                        | THUS\$           | THUS\$         |                      |                        |       |
| 0-E     | Bank loans                                 |            |          |                |                   |                              |                               |                      |                     |               |                   |                              |                               |                  |                |                      |                        |       |
|         | NEDERLANDSCHE CREDITVERZEKERING            | Holland    | US\$     | 108            | 335               | 971                          | 1,094                         | 1,288                | 3,796               | 127           | 336               | 971                          | 1,094                         | 1,288            | 3,816          | Monthly              | 6.01                   | 6.01  |
|         | MAATSCHAPPIJ THE BANK OF NEW YORK          | U.S.A.     | US\$     | —              | —                 | 300,000                      | —                             | 800,000              | 1,100,000           | 12,178        | 9,028             | 304,377                      | 4,583                         | 802,521          | 1,132,687      | At Expiration        | 7.99                   | 7.19  |
|         | Financial leases                           |            |          |                |                   |                              |                               |                      |                     |               |                   |                              |                               |                  |                |                      |                        |       |
|         | AFS INVESTMENT IX LLC                      | U.S.A.     | US\$     | 1,864          | 5,752             | 16,580                       | 18,555                        | 8,369                | 51,120              | 2,104         | 5,752             | 16,580                       | 18,555                        | 8,369            | 51,360         | Monthly              | 1.25                   | 1.25  |
| 0-E     | AIRBUS FINANCIAL                           | U.S.A.     | US\$     | 3,189          | 9,836             | 27,070                       | 15,262                        | 7,664                | 63,021              | 3,303         | 9,836             | 27,070                       | 15,262                        | 7,664            | 63,135         | Monthly              | 1.42                   | 1.42  |
| 0-E     | CREDIT AGRICOLE-CIB                        | U.S.A.     | US\$     | 2,704          | 32,466            | —                            | —                             | —                    | 35,170              | 2,752         | 32,466            | —                            | —                             | —                | 35,218         | Quarterly            | 1.10                   | 1.10  |
| 0-E     | CREDIT AGRICOLE-CIB                        | France     | US\$     | 1,500          | 4,500             | 4,500                        | —                             | —                    | 10,500              | 1,566         | 4,500             | 4,500                        | —                             | —                | 10,566         | Quarterly/Semiannual | 3.25                   | 3.25  |
| 0-E     | DVB BANK SE                                | Germany    | US\$     | 3,125          | 9,375             | —                            | —                             | —                    | 12,500              | 3,160         | 9,375             | —                            | —                             | —                | 12,535         | Quarterly            | 2.50                   | 2.50  |
| 0-E     | DVB BANK SE                                | U.S.A.     | US\$     | 197            | 540               | 755                          | —                             | —                    | 1,492               | 199           | 540               | 755                          | —                             | —                | 1,494          | Monthly              | 1.68                   | 1.68  |
| 0-E     | GENERAL ELECTRIC CAPITAL CORPORATION       | U.S.A.     | US\$     | 2,296          | 10,791            | 23,761                       | —                             | —                    | 36,848              | 2,346         | 10,791            | 23,761                       | —                             | —                | 36,898         | Monthly              | 1.25                   | 1.25  |
| 0-E     | KFV IDEX-BANK NATIXIS                      | Germany    | US\$     | 3,246          | 10,541            | 18,037                       | 13,535                        | 5,328                | 50,687              | 3,339         | 10,541            | 18,037                       | 13,535                        | 5,328            | 50,780         | Monthly/Quarterly    | 1.72                   | 1.72  |
| 0-E     | NATIXIS                                    | France     | US\$     | 2,887          | 6,705             | 20,987                       | 23,723                        | 85,391               | 139,693             | 4,044         | 6,705             | 20,987                       | 23,723                        | 85,391           | 140,850        | Quarterly/Semiannual | 3.87                   | 3.87  |
| 0-E     | PK AIRFINANCE US, INC.                     | U.S.A.     | US\$     | 1,208          | 3,725             | 20,360                       | —                             | —                    | 25,293              | 1,256         | 3,725             | 20,360                       | —                             | —                | 25,341         | Monthly              | 1.75                   | 1.75  |
| 0-E     | WACAPOU LEASING S.A.                       | Luxembourg | US\$     | 416            | 1,198             | 2,847                        | 2,406                         | —                    | 19,982              | 456           | 1,198             | 2,847                        | 2,406                         | —                | 20,022         | Quarterly            | 2.00                   | 2.00  |
| 0-E     | SOCIÉTÉ GÉNÉRALE MILAN BRANCH              | Italy      | US\$     | 7,761          | 23,859            | 67,973                       | 74,783                        | 169,730              | 344,106             | 8,574         | 23,859            | 67,973                       | 74,783                        | 169,730          | 344,919        | Quarterly            | 3.06                   | 3.58  |
| 0-E     | BANCO DE LAGE LANDENBRASIL S.A             | Brazil     | BRL      | —              | —                 | —                            | —                             | —                    | —                   | 8             | —                 | —                            | —                             | —                | 8              | Monthly              | 11.70                  | 11.70 |
| 0-E     | BANCO IBM S.A                              | Brazil     | BRL      | 319            | 957               | 2,514                        | 27                            | —                    | 3,817               | 91            | 957               | 2,604                        | 27                            | —                | 3,679          | Monthly              | 10.58                  | 10.58 |
| 0-E     | HP FINANCIAL SERVICE                       | Brazil     | BRL      | 225            | 707               | 1,297                        | —                             | —                    | 2,229               | 143           | 707               | 1,379                        | —                             | —                | 2,229          | Monthly              | 9.90                   | 9.90  |
| 0-E     | SOCIETE AIR FRANCE                         | France     | EUR      | 114            | —                 | —                            | —                             | —                    | 114                 | 547           | —                 | —                            | —                             | —                | 547            | Monthly              | 6.82                   | 6.82  |
| 0-E     | SOCIETE GENERALE                           | France     | BRL      | 126            | 377               | 1,005                        | 135                           | —                    | 1,643               | 82            | 377               | 1,044                        | 135                           | —                | 1,658          | Monthly              | 11.60                  | 11.60 |
|         | Other loans                                |            |          |                |                   |                              |                               |                      |                     |               |                   |                              |                               |                  |                |                      |                        |       |
| 0-E     | COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO | Brazil     | BRL      | 30,281         | 15,576            | —                            | —                             | —                    | 45,857              | 30,281        | 15,576            | —                            | —                             | —                | 45,857         | Monthly              | 4.23                   | 4.23  |
|         | Total                                      |            |          | 61,566         | 137,240           | 508,657                      | 149,520                       | 1,090,885            | 1,947,868           | 76,556        | 146,269           | 513,245                      | 154,103                       | 1,093,406        | 1,983,579      |                      |                        |       |
|         | Total consolidated                         |            |          | 579,474        | 768,022           | 2,648,500                    | 1,483,758                     | 3,366,750            | 8,846,504           | 620,330       | 777,052           | 2,575,299                    | 1,453,411                     | 3,331,975        | 8,758,067      |                      |                        |       |



Interest-bearing loans due in installments to December 31, 2013  
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

| Tax No.    | Lender                              | Country   | Currency | Up to 90 days  | Nominal values                |                              |                               | Accounting values             |                              |                               | Amortization   | Effective rate   | Nominal rate     |                        |                  |               |      |      |  |
|------------|-------------------------------------|-----------|----------|----------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|----------------|------------------|------------------|------------------------|------------------|---------------|------|------|--|
|            |                                     |           |          |                | More than 90 days to one year | More than one to three years | More than three to five years | More than 90 days to one year | More than one to three years | More than three to five years |                |                  |                  | Total accounting value |                  |               |      |      |  |
|            | <b>Loans to exporters</b>           |           |          |                |                               |                              |                               |                               |                              |                               |                |                  |                  |                        |                  |               |      |      |  |
| 97032000-8 | BBVA                                | Chile     | US\$     | 30,000         | —                             | —                            | 30,000                        | —                             | —                            | —                             | 30,022         | At expiration    | 1.00             | 1.00                   |                  |               |      |      |  |
| 97036000-K | SANTANDER                           | Chile     | US\$     | 230,000        | —                             | —                            | 230,000                       | 230,819                       | —                            | —                             | 230,819        | At expiration    | 1.63             | 1.63                   |                  |               |      |      |  |
| 97030000-7 | ESTADO                              | Chile     | US\$     | 40,000         | —                             | —                            | 40,000                        | 40,023                        | —                            | —                             | 40,023         | At expiration    | 1.06             | 1.06                   |                  |               |      |      |  |
| 76100458-1 | BLADDEX                             | Chile     | US\$     | 100,000        | —                             | —                            | 100,000                       | 100,399                       | —                            | —                             | 100,399        | At expiration    | 1.87             | 1.87                   |                  |               |      |      |  |
|            | <b>Bank loans</b>                   |           |          |                |                               |                              |                               |                               |                              |                               |                |                  |                  |                        |                  |               |      |      |  |
| 97036000-K | SANTANDER                           | Chile     | US\$     | —              | 115,051                       | —                            | 115,051                       | 153                           | —                            | —                             | 115,204        | At expiration    | 3.19             | 3.19                   |                  |               |      |      |  |
| 97023000-9 | CORPBANCA                           | Chile     | UF       | 15,590         | 46,772                        | 124,724                      | 81,374                        | —                             | 268,460                      | 17,475                        | 46,771         | 122,780          | 80,528           | 4.85                   | 4.85             |               |      |      |  |
| 0-E        | CITIBANK                            | Argentina | ARS      | —              | 15,335                        | —                            | —                             | 35                            | 15,335                       | —                             | —              | —                | —                | 20.75                  | 20.75            |               |      |      |  |
| 0-E        | BBVA                                | Argentina | ARS      | —              | 27,603                        | —                            | —                             | 362                           | 27,603                       | —                             | —              | —                | —                | 23.78                  | 23.78            |               |      |      |  |
|            | <b>Guaranteed obligations</b>       |           |          |                |                               |                              |                               |                               |                              |                               |                |                  |                  |                        |                  |               |      |      |  |
| 0-E        | ING                                 | U.S.A.    | US\$     | 2,865          | 8,808                         | 25,172                       | 27,867                        | 26,831                        | 91,543                       | 3,635                         | 8,807          | 24,144           | 27,437           | 26,682                 | 90.705           | Quarterly     | 5.69 | 5.01 |  |
| 0-E        | CRREDIT AGRICOLE                    | France    | US\$     | 12,920         | 34,713                        | 82,646                       | 10,033                        | —                             | 140,312                      | 13,209                        | 34,713         | 82,646           | 10,033           | —                      | 140,601          | Quarterly     | 1.99 | 1.99 |  |
| 0-E        | PEFCO                               | U.S.A.    | US\$     | 2,219          | 6,745                         | —                            | —                             | 8,964                         | 2,239                        | 6,746                         | (19)           | —                | —                | —                      | 8,966            | Quarterly     | 3.06 | 2.73 |  |
| 0-E        | BNP PARIBAS                         | U.S.A.    | US\$     | 8,875          | 27,236                        | 76,985                       | 83,871                        | 221,267                       | 418,254                      | 10,356                        | 27,256         | 75,420           | 83,243           | 221,031                | 417,306          | Quarterly     | 2.45 | 2.31 |  |
| 0-E        | WELLS FARGO                         | U.S.A.    | US\$     | 46,007         | 139,012                       | 378,314                      | 389,759                       | 1,146,684                     | 2,099,176                    | 52,722                        | 139,012        | 330,563          | 365,871          | 1,115,366              | 2,003,334        | Quarterly     | 2.47 | 1.76 |  |
| 0-E        | CITIBANK                            | U.S.A.    | US\$     | 9,607          | 29,315                        | 81,681                       | 87,189                        | 164,399                       | 372,191                      | 10,850                        | 29,315         | 76,583           | 84,847           | 162,473                | 364,068          | Quarterly     | 2.64 | 2.04 |  |
| 97036000-K | SANTANDER                           | Chile     | US\$     | 5,021          | 15,237                        | 41,767                       | 43,552                        | 95,022                        | 200,599                      | 5,347                         | 15,238         | 38,966           | 42,256           | 93,880                 | 195,687          | Quarterly     | 1.32 | 0.78 |  |
| 0-E        | BTMU                                | U.S.A.    | US\$     | 2,579          | 7,846                         | 21,655                       | 22,801                        | 63,189                        | 118,070                      | 2,784                         | 7,846          | 19,797           | 21,891           | 62,166                 | 114,484          | Quarterly     | 1.64 | 1.04 |  |
| 0-E        | APPLE BANK                          | U.S.A.    | US\$     | 1,264          | 3,848                         | 10,636                       | 11,214                        | 31,544                        | 58,502                       | 1,431                         | 3,848          | 9,716            | 10,758           | 31,027                 | 56,780           | Quarterly     | 1.63 | 1.04 |  |
| 0-E        | US BANK                             | U.S.A.    | US\$     | 13,840         | 41,995                        | 115,549                      | 120,924                       | 411,684                       | 703,992                      | 17,106                        | 41,995         | 93,083           | 109,417          | 395,163                | 656,764          | Quarterly     | 2.81 | 2.81 |  |
| 0-E        | DEUTSCHE BANK                       | U.S.A.    | US\$     | 4,348          | 13,408                        | 38,018                       | 32,448                        | 84,814                        | 173,036                      | 5,053                         | 13,408         | 38,017           | 32,449           | 84,814                 | 173,741          | Quarterly     | 3.27 | 3.27 |  |
| —          | SWAP Aircraft arrivals              | —         | US\$     | 681            | 1,915                         | 4,104                        | 2,521                         | 765                           | 9,986                        | 681                           | 1,915          | 4,104            | 2,521            | 765                    | 9,986            | Quarterly     | —    | —    |  |
|            | <b>Other guaranteed obligations</b> |           |          |                |                               |                              |                               |                               |                              |                               |                |                  |                  |                        |                  |               |      |      |  |
| 0-E        | DVB BANK SE                         | U.S.A.    | US\$     | 7,703          | 23,342                        | 64,247                       | —                             | —                             | 95,292                       | 7,766                         | 23,343         | 64,247           | —                | —                      | 95,356           | Quarterly     | 1.99 | 1.99 |  |
|            | <b>Financial leases</b>             |           |          |                |                               |                              |                               |                               |                              |                               |                |                  |                  |                        |                  |               |      |      |  |
| 0-E        | ING                                 | U.S.A.    | US\$     | 4,523          | 13,896                        | 37,656                       | 9,001                         | —                             | 65,076                       | 4,964                         | 13,896         | 37,395           | 8,971            | —                      | 65,226           | Quarterly     | 3.23 | 3.03 |  |
| 0-E        | CRREDIT AGRICOLE                    | France    | US\$     | 4,808          | 13,833                        | 63,715                       | 7,158                         | —                             | 89,514                       | 4,952                         | 13,834         | 63,715           | 7,157            | —                      | 89,658           | Quarterly     | 1.21 | 1.21 |  |
| 0-E        | CITIBANK                            | U.S.A.    | US\$     | 1,430          | 4,414                         | 12,707                       | 14,254                        | 7,759                         | 40,564                       | 1,651                         | 4,413          | 12,254           | 14,089           | 7,731                  | 40,138           | Quarterly     | 6.38 | 5.65 |  |
| 0-E        | PEFCO                               | U.S.A.    | US\$     | 13,867         | 42,702                        | 121,395                      | 108,403                       | 22,407                        | 308,774                      | 15,884                        | 42,702         | 118,027          | 107,595          | 22,324                 | 306,532          | Quarterly     | 5.35 | 4.23 |  |
| 0-E        | BNP PARIBAS                         | U.S.A.    | US\$     | 6,443          | 19,839                        | 56,989                       | 56,934                        | 7,129                         | 147,334                      | 6,908                         | 19,839         | 55,403           | 56,567           | 7,109                  | 145,826          | Quarterly     | 4.65 | 4.15 |  |
| 0-E        | BANC OF AMERICA                     | U.S.A.    | US\$     | 616            | 1,891                         | 5,392                        | —                             | —                             | 7,899                        | 647                           | 1,891          | 5,392            | —                | —                      | 7,930            | Monthly       | 1.43 | 1.43 |  |
| 0-E        | BOENING                             | U.S.A.    | US\$     | —              | —                             | 170,838                      | —                             | —                             | 170,838                      | —                             | 1,650          | 170,838          | —                | —                      | 172,488          | At expiration | 1.75 | 1.75 |  |
| 0-E        | CITIBANK (*)                        | U.S.A.    | US\$     | —              | —                             | 79,611                       | 174,178                       | 196,211                       | 450,000                      | 4,050                         | —              | 79,611           | 174,178          | 196,211                | 454,050          | Quarterly     | 6.00 | 6.00 |  |
|            | <b>Total</b>                        |           |          | <b>495,206</b> | <b>609,725</b>                | <b>1,728,852</b>             | <b>1,283,477</b>              | <b>2,479,705</b>              | <b>6,596,965</b>             | <b>521,478</b>                | <b>611,421</b> | <b>1,637,533</b> | <b>1,239,808</b> | <b>2,426,742</b>       | <b>6,436,982</b> |               |      |      |  |

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

Interest-bearing loans due in installments to December 31, 2013  
 Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

| Tax No.          | Creditor                               | Creditor country | Currency | Up to 90 days |         | More than 90 days |        | Nominal values |         |           | Up to 90 days |         | More than 90 days |         | Accounting values |            |        | Amortization rate % | Effective rate % | Nominal rate % |        |
|------------------|--|------------------|----------|---------------|---------|-------------------|--------|----------------|---------|-----------|---------------|---------|-------------------|---------|-------------------|------------|--------|---------------------|------------------|----------------|--------|
|                  |  |                  |          | THUS\$        | THUS\$  | THUS\$            | THUS\$ | THUS\$         | THUS\$  | THUS\$    | THUS\$        | THUS\$  | THUS\$            | THUS\$  | THUS\$            | THUS\$     | THUS\$ |                     |                  |                | THUS\$ |
| Bank loans       |  |                  |          |               |         |                   |        |                |         |           |               |         |                   |         |                   |            |        |                     |                  |                |        |
| 0-E              | CITIBANK                               | Brazil           | US\$     | 2,207         | 41,678  | —                 | —      | —              | —       | 43,885    | 2,306         | 42,413  | —                 | —       | 44,719            | Expiration | 3.76   | —                   | 3.20             |                |        |
| 0-E              | BANCO DO BRASIL S.A.                   | Brazil           | US\$     | 9,050         | 128,799 | —                 | —      | —              | —       | 137,849   | 9,410         | 130,742 | —                 | —       | 140,152           | Expiration | 5.20   | —                   | 4.66             |                |        |
| 0-E              | BANCO ITAU BBA                         | Brazil           | US\$     | 26,611        | 47,219  | —                 | —      | —              | —       | 73,830    | 27,804        | 48,424  | —                 | —       | 76,328            | Expiration | 6.31   | —                   | 4.73             |                |        |
| 0-E              | BANCO SAFRA                            | Brazil           | US\$     | 40,626        | 21,731  | —                 | —      | —              | —       | 62,357    | 41,768        | 22,213  | —                 | —       | 63,981            | Expiration | 3.73   | —                   | 2.94             |                |        |
| 0-E              | BANCO SAFRA                            | Brazil           | BRL      | 193           | 443     | 48                | —      | —              | —       | 684       | 187           | 431     | 51                | —       | 669               | Monthly    | 7.42   | —                   | 7.42             |                |        |
| 0-E              | BANCO BRADESCO                         | Brazil           | US\$     | 74,700        | 47,641  | —                 | —      | —              | —       | 122,341   | 77,218        | 48,828  | —                 | —       | 126,046           | Expiration | 3.87   | —                   | 3.29             |                |        |
| 0-E              | BANCO BRADESCO                         | Brazil           | BRL      | —             | 42,688  | —                 | —      | —              | —       | 42,688    | —             | 42,701  | —                 | —       | 42,701            | Expiration | 10.63  | —                   | 10.15            |                |        |
| 0-E              | NEDERLANDSCHE CREDITVERZEKERING        | Holland          | US\$     | 102           | 316     | 915               | 1,031  | 1,851          | 4,215   | 123       | 316           | 915     | 1,031             | 1,851   | 4,236             | Monthly    | 6.01   | —                   | 6.01             |                |        |
| 0-E              | MAATSCHAPPIJ THE BANK OF NEW YORK      | U.S.A.           | US\$     | —             | —       | —                 | —      | 300,000        | 800,000 | 1,100,000 | 19,760        | 2,001   | 5,343             | 305,554 | 805,774           | Expiration | 8.60   | —                   | 8.41             |                |        |
| Financial leases |  |                  |          |               |         |                   |        |                |         |           |               |         |                   |         |                   |            |        |                     |                  |                |        |
| 0-E              | AFS INVESTMENT IX LLC                  | U.S.A.           | US\$     | 1,762         | 5,438   | 15,673            | 17,540 | 17,908         | 58,321  | 2,036     | 5,437         | 15,673  | 17,541            | 17,908  | 58,595            | Monthly    | 1.25   | —                   | 1.25             |                |        |
| 0-E              | AIR CANADA                             | U.S.A.           | US\$     | 1,325         | 1,645   | —                 | —      | —              | 2,970   | 1,325     | 1,645         | —       | —                 | —       | 2,970             | Monthly    | —      | —                   | —                |                |        |
| 0-E              | AIRBUS FINANCIAL                       | U.S.A.           | US\$     | 3,020         | 9,311   | 26,792            | 20,813 | 15,416         | 75,332  | 3,156     | 9,311         | 26,792  | 20,812            | 15,417  | 75,488            | Monthly    | 1.42   | —                   | 1.42             |                |        |
| 0-E              | AIRBUS FINANCIAL                       | U.S.A.           | US\$     | 2,992         | 2,659   | —                 | —      | —              | 5,651   | 3,656     | —             | —       | —                 | —       | 6,315             | Monthly    | —      | —                   | —                |                |        |
| 0-E              | BNP PARIBAS                            | U.S.A.           | US\$     | 580           | 1,810   | 5,262             | 5,982  | 8,448          | 22,082  | 651       | 1,810         | 5,262   | 5,982             | 8,448   | 22,153            | Quarterly  | 1.00   | —                   | 1.00             |                |        |
| 0-E              | BNP PARIBAS                            | France           | US\$     | 578           | 1,758   | 4,959             | 5,371  | 9,693          | 22,359  | 652       | 1,758         | 4,959   | 5,371             | 9,693   | 22,433            | Quarterly  | 0.86   | —                   | 0.75             |                |        |
| 0-E              | CITIBANK                               | England          | US\$     | 5,983         | 18,179  | 44,318            | 47,123 | 106,987        | 222,590 | 6,401     | 18,179        | 44,318  | 47,123            | 106,987 | 223,008           | Quarterly  | 1.03   | —                   | 0.90             |                |        |
| 0-E              | CREDIT AGRICOLE-CIB                    | U.S.A.           | US\$     | 4,258         | 12,917  | 55,573            | 11,431 | 13,766         | 97,945  | 4,516     | 12,917        | 55,573  | 11,431            | 13,766  | 98,203            | Quarterly  | 1.40   | —                   | 1.40             |                |        |
| 0-E              | CREDIT AGRICOLE -CIB                   | France           | US\$     | 7,911         | 25,433  | 58,866            | 50,469 | 52,717         | 195,396 | 8,334     | 25,433        | 58,866  | 50,469            | 52,717  | 195,819           | Quarterly  | 0.75   | —                   | 0.65             |                |        |
| 0-E              | DVB BANK SE                            | Germany          | US\$     | 3,125         | 9,375   | 12,500            | —      | —              | 25,000  | 3,195     | 9,375         | 12,500  | —                 | —       | 25,070            | Semiannual | 2.50   | —                   | 2.50             |                |        |
| 0-E              | DVB BANK SE                            | U.S.A.           | US\$     | 197           | 590     | 1,210             | 282    | —              | 2,279   | 201       | 590           | 1,210   | 282               | —       | 2,283             | Monthly    | 1.75   | —                   | 1.75             |                |        |
| 0-E              | GENERAL ELECTRIC CAPITAL CORPORATION   | U.S.A.           | US\$     | 3,430         | 48,548  | —                 | —      | —              | 51,978  | 3,501     | 48,548        | —       | —                 | —       | 52,049            | Monthly    | 1.25   | —                   | 1.25             |                |        |
| 0-E              | HSBC                                   | France           | US\$     | 1,307         | 3,983   | 10,976            | 11,533 | 36,497         | 64,296  | 1,436     | 3,983         | 10,976  | 11,533            | 36,497  | 64,425            | Quarterly  | 1.45   | —                   | 1.25             |                |        |
| 0-E              | KFV IPEX-BANK                          | Germany          | US\$     | 3,877         | 11,869  | 28,660            | 20,499 | 17,813         | 82,718  | 4,027     | 11,869        | 28,660  | 20,500            | 17,813  | 82,869            | Monthly    | 1.74   | —                   | 1.74             |                |        |
| 0-E              | NATIXIS                                | France           | US\$     | 6,009         | 16,490  | 49,293            | 55,352 | 118,984        | 246,128 | 7,586     | 16,490        | 49,293  | 55,352            | 118,984 | 247,705           | Semiannual | 2.81   | —                   | 2.78             |                |        |
| 0-E              | PK AIRFINANCE US, INC.                 | U.S.A.           | US\$     | 2,780         | 8,610   | 40,227            | 17,171 | 37,615         | 106,403 | 2,964     | 8,611         | 40,227  | 17,171            | 37,615  | 106,588           | Monthly    | 1.71   | —                   | 1.71             |                |        |
| 0-E              | WACAPOU LEASING S.A.                   | Luxemburg        | US\$     | 453           | 1,303   | 3,097             | 2,617  | 14,267         | 21,737  | 498       | 1,303         | 3,097   | 2,617             | 14,267  | 21,782            | Quarterly  | 2.00   | —                   | 2.00             |                |        |
| 0-E              | WELLS FARGO BANK                       | U.S.A.           | US\$     | 1,769         | 1,425   | —                 | —      | —              | 3,194   | 1,773     | 1,425         | —       | —                 | —       | 3,198             | Monthly    | 1.25   | —                   | 1.25             |                |        |
| 0-E              | NORTHWEST N.A. SOCIÉTÉ GÉNÉRALE        | U.S.A.           | US\$     | 11,772        | 35,604  | 87,655            | 96,473 | 102,591        | 334,095 | 12,694    | 35,604        | 87,655  | 96,473            | 102,591 | 335,017           | Quarterly  | 3.86   | —                   | 3.78             |                |        |
| 0-E              | MILAN BRANCH THE TORONTO-DOMINION BANK | Italy            | US\$     | 515           | 1,566   | 4,297             | 4,485  | 6,531          | 17,394  | 541       | 1,566         | 4,297   | 4,485             | 6,531   | 17,420            | Quarterly  | 0.57   | —                   | 0.57             |                |        |
| 0-E              | BANCO DE LAGE                          | U.S.A.           | US\$     | 515           | 1,566   | 4,297             | 4,485  | 6,531          | 17,394  | 541       | 1,566         | 4,297   | 4,485             | 6,531   | 17,420            | Quarterly  | 0.57   | —                   | 0.57             |                |        |
| 0-E              | BANCO DE LAGE                          | Brazil           | BRL      | 239           | 724     | —                 | —      | —              | 963     | 222       | 674           | —       | —                 | —       | 896               | Monthly    | 10.38  | —                   | 10.38            |                |        |
| 0-E              | BANCO BRASIL S.A.                      | Brazil           | BRL      | 134           | 192     | 511               | 213    | —              | 1,050   | 153       | 192           | 511     | 213               | —       | 1,069             | Monthly    | 10.58  | —                   | 10.58            |                |        |
| 0-E              | HP FINANCIAL                           | Brazil           | BRL      | 287           | 746     | 2,218             | 308    | —              | 3,559   | 285       | 745           | 2,220   | 308               | —       | 3,558             | Monthly    | 9.90   | —                   | 9.90             |                |        |
| 0-E              | SOCIETE AIR FRANCE                     | France           | EUR      | 69            | 1,310   | —                 | —      | —              | 1,379   | 824       | 1,205         | —       | —                 | —       | 2,029             | Monthly    | 6.82   | —                   | 6.82             |                |        |





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| Other loans        |  | 0-E          |  | COMPANHIA |  | BRASIL    |  | BRL       |  | 27.244    |  | 537       |  | 453.050   |  | 668.693   |  | 1.361.084 |  | 3.280.469 |  | 27.244    |  | 537       |  | 458.398   |  | 674.248   |  | 1.366.859 |  | 3.335.887 |  | 27.781  |  | Monthly |  | 2.38 |  | 2.38 |  |
|--------------------|--|--------------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|-----------|--|---------|--|---------|--|------|--|------|--|
| BRASIL             |  | DE PAGAMENTO |  | Brazil    |  | BRL       |  | 27.244    |  | 537       |  | 453.050   |  | 668.693   |  | 1.361.084 |  | 3.280.469 |  | 27.244    |  | 537       |  | 458.398   |  | 674.248   |  | 1.366.859 |  | 3.335.887 |  | 27.781    |  | Monthly |  | 2.38    |  | 2.38 |  |      |  |
| Total              |  | 740.311      |  | 245.105   |  | 1.162.262 |  | 2.181.902 |  | 1.952.170 |  | 3.840.789 |  | 9.877.434 |  | 797.925   |  | 1.171.356 |  | 2.095.931 |  | 1.914.056 |  | 3.793.601 |  | 9.772.869 |  |           |  |           |  |           |  |         |  |         |  |      |  |      |  |
| Total consolidated |  |              |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |           |  |         |  |         |  |      |  |      |  |

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(b) Derivatives not recognized as a hedge

|  | Current liabilities     |                         | Non-current liabilities |                         | Total derivative not recognized as a hedge |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|--|-------------------------|
|  | As of December 31, 2014 | As of December 31, 2013 | As of December 31, 2014 | As of December 31, 2013 | As of December 31, 2014                    | As of December 31, 2013 |
|  | ThUS\$                  | ThUS\$                  | ThUS\$                  | ThUS\$                  | ThUS\$                                     | ThUS\$                  |
| Interest rate derivative not recognized as a hedge | 1,190                   | 4,040                   | —                       | 1,491                   | 1,190                                      | 5,531                   |
| Total derivatives not recognized as a hedge        | 1,190                   | 4,040                   | —                       | 1,491                   | 1,190                                      | 5,531                   |

(c) Hedge derivatives

|   | Current liabilities     |                         | Non-current liabilities |                         | Total hedge derivatives |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | As of December 31, 2014 | As of December 31, 2013 | As of December 31, 2014 | As of December 31, 2013 | As of December 31, 2014 | As of December 31, 2013 |
|   | ThUS\$                  | ThUS\$                  | ThUS\$                  | ThUS\$                  | ThUS\$                  | ThUS\$                  |
| Accrued interest from the last date of interest rate swap | 5,173                   | 5,775                   | —                       | —                       | 5,173                   | 5,775                   |
| Fair value of interest rate derivatives                   | 26,395                  | 32,070                  | 28,327                  | 54,906                  | 54,722                  | 86,976                  |
| Fair value of fuel derivatives                            | 157,233                 | —                       | —                       | —                       | 157,233                 | —                       |
| Fair value of foreign currency derivatives                | 37,242                  | 28,621                  | —                       | —                       | 37,242                  | 28,621                  |
| Total hedge derivatives                                   | 226,043                 | 66,466                  | 28,327                  | 54,906                  | 254,370                 | 121,372                 |

The foreign currency derivatives exchanges are FX forward and cross currency swap.

Hedging operation

The fair values of assets/ (liabilities), by type of derivative, of the contracts held as hedging instruments are presented below:

|                                | As of December 31, 2014 | As of December 31, 2013 |
|--------------------------------|-------------------------|-------------------------|
|                                | ThUS\$                  | ThUS\$                  |
| Cross currency swaps (CCS) (1) | (38,802)                | (26,028)                |
| Interest rate options (2)      | 1                       | 6                       |
| Interest rate swaps (3)        | (58,758)                | (92,088)                |
| Fuel collars (4)               | (32,772)                | 1,878                   |
| Fuel swap (5)                  | (122,678)               | 13,990                  |
| Currency forward R\$/US\$ (6)  | —                       | 32,058                  |
| Currency forward CLP/US\$ (7)  | —                       | (1,121)                 |
| Currency collars (8)           | —                       | (1,652)                 |



- (1) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate and the exchange rate dollar-UF of bank loans. These contracts are recorded as cash flow hedges and fair value.
- (2) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate for long-term loans incurred in the acquisition of aircraft. These contracts are recorded as cash flow hedges.
- (3) Covers the significant variations in cash flows associated with market risk implicit in the increases in the 3 months LIBOR interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.
- (4) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (5) Covers the significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (6) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate R\$/US\$. These contracts are recorded as cash flow hedges.
- (7) Covers the investments denominated in Chilean pesos to Dollar- Chilean peso exchange rate, in order to secure investment in Dollars. These contracts are recorded as cash flow hedges.
- (8) Covers the foreign exchange risk exposure of Multiplus income caused by fluctuations in the exchange rate R\$/US\$.

During the periods presented, the Company only maintains cash flow hedges and fair value (in the case of CCS). In the case of fuel hedges, the cash flows subject to such hedges will impact results in the next 12 months from the consolidated statement of financial position date, meanwhile in the case of interest rate hedging, the hedges will impact results over the life of the related loans, which are valid for 12 years. The hedges on investments will impact results continuously throughout the life of the investment, while the cash flows occur at the maturity of the investment. In the case of currency hedges through a CCS, are generated two types of hedge accounting, a cash flow component by UF, and other fair value by US\$ floating rate component.

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

Since none of the coverage resulted in the recognition of a non-financial asset, no portion of the result of the derivatives recognized in equity was transferred to the initial value of such assets.

The amounts recognized in comprehensive income during the period and transferred from net equity to income are as follows:

|  | 2014<br>ThUS\$ | For the periods ended<br>December 31,<br>2013<br>ThUS\$ | 2012<br>ThUS\$ |
|--|----------------|---|----------------|
| Debit (credit) recognized in comprehensive income during the period    | (163,993)      | 128,166   | (2,510)        |
| Debit (credit) transferred from net equity to income during the period | (151,520)      | (18,688)  | (26,470)       |



NOTE 19 - TRADE AND OTHER ACCOUNTS PAYABLES

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

|   | As of<br>December 31,<br>2014<br><u>ThUS\$</u> | As of<br>December 31,<br>2013<br><u>ThUS\$</u> |
|---|--|--|
| <b>Current</b>                                |  |  |
| (a) Trade and other accounts payables         | 1,196,123                                      | 1,264,395                                      |
| (b) Accrued liabilities at the reporting date | <u>293,273</u>                                 | <u>293,341</u>                                 |
| Total trade and other accounts payables       | <u><u>1,489,396</u></u>                        | <u><u>1,557,736</u></u>                        |

(a) Trade and other accounts payable:

|                            | As of<br>December 31,<br>2014<br><u>ThUS\$</u> | As of<br>December 31,<br>2013<br><u>ThUS\$</u> |
|----------------------------|--|--|
| Trade creditors            | 924,105  | 969,260  |
| Leasing obligation         | 37,322   | 44,756   |
| Other accounts payable (*) | <u>234,696</u>                                 | <u>250,379</u>                                 |
| Total                      | <u><u>1,196,123</u></u>                        | <u><u>1,264,395</u></u>                        |

(\*) Include agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 20.



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

|  | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|--|-------------------------------|-------------------------------|
|  | ThUS\$                        | ThUS\$                        |
| Aircraft Fuel                                  | 290,109                       | 302,419                       |
| Boarding Fee                                   | 193,263                       | 217,389                       |
| Other personnel expenses                       | 114,245                       | 117,418                       |
| Airport charges and overflight                 | 102,111                       | 98,560                        |
| Professional services and advisory             | 65,445                        | 63,082                        |
| Suppliers' technical purchases                 | 64,799                        | 67,995                        |
| Handling and ground handling                   | 55,503                        | 48,797                        |
| Marketing                                      | 54,885                        | 50,009                        |
| Land services                                  | 47,103                        | 47,046                        |
| Aircraft and engines leasing                   | 37,322                        | 44,756                        |
| Leases, maintenance and IT services            | 34,029                        | 46,163                        |
| Services on board                              | 24,642                        | 29,940                        |
| Maintenance                                    | 14,757                        | 15,793                        |
| Crew   | 12,403                        | 14,040                        |
| Achievement of goals                           | 12,197                        | 9,806                         |
| Communications                                 | 6,447                         | 4,578                         |
| Aviation insurance                             | 4,749                         | 10,665                        |
| Distribution sistem                            | 3,293                         | 3,103                         |
| Airlines                                       | 908                           | 5,054                         |
| Tax recovery program (*)                       | —                             | 14,569                        |
| U.S.A. Department of Justice (**)              | —                             | 18,290                        |
| Others   | 57,913                        | 34,923                        |
| <b>Total trade and other accounts payables</b> | <b>1,196,123</b>              | <b>1,264,395</b>              |

(\*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance (See Note 17(b)).

(\*\*) Include agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 20.

(b) Liabilities accrued:

|                                   | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|-----------------------------------|-------------------------------|-------------------------------|
|                                   | ThUS\$                        | ThUS\$                        |
| Accrued personnel expenses        | 130,382                       | 151,586                       |
| Aircraft and engine maintenance   | 121,946                       | 3,741                         |
| Accounts payable to personnel (*) | 16,407                        | 110,147                       |
| Others accrued liabilities        | 24,538                        | 27,867                        |
| <b>Total accrued liabilities</b>  | <b>293,273</b>                | <b>293,341</b>                |

(\*) Profits and bonds participation (Note 22 letter b)



## NOTE 20 - OTHER PROVISIONS

The detail of Other provisions as of December 31, 2014 and December 31, 2013 is as follows:

|  | Current liabilities           |                               | Non-current liabilities       |                               | Total Liabilities             |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|  | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| <b>Provision for contingencies (1)</b>                         |                               |                               |                               |                               |                               |                               |
| Tax contingencies  | 320                           | 7,092                         | 607,371                       | 968,211                       | 607,691                       | 975,303                       |
| Civil contingencies  | 11,870                        | 13,430                        | 47,355                        | 50,022                        | 59,225                        | 63,452                        |
| Labor contingencies  | 221                           | 7,334                         | 23,064                        | 64,895                        | 23,285                        | 72,229                        |
| Other  | —                             | —                             | 15,351                        | 27,770                        | 15,351                        | 27,770                        |
| <b>Provision for European<br/>Commission investigation (2)</b> | —                             | —                             | 9,999                         | 11,349                        | 9,999                         | 11,349                        |
| <b>Total other provisions (3)</b>                              | <u>12,411</u>                 | <u>27,856</u>                 | <u>703,140</u>                | <u>1,122,247</u>              | <u>715,551</u>                | <u>1,150,103</u>              |

## (1) Provisions for contingencies:

The tax contingencies correspond to litigation and tax criteria related to the tax treatment applicable to direct and indirect taxes, which are found in both administrative and judicial stage.

The civil contingencies correspond to different demands of civil order filed against the company.

The labor contingencies correspond to different demands of labor order filed against the company.

The Provisions are recognized in the consolidated income statement in administrative expenses or tax expenses, as appropriate.

- (2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.
- (3) Total other provision at December 31, 2014, and at December 31, 2013, include the fair value correspond to those contingencies from the business combination with TAM S.A and subsidiaries, with a probability of loss under 50%, which are not provided for the normal application of IFRS enforcement and that only must be recognized in the context of a business combination in accordance with IFRS 3.



Movement of provisions:

|   | Legal<br>claims<br>ThUS\$ | European<br>Commission<br>Investigation(*)<br>ThUS\$ | Total<br>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 deu to business combination   | 1,429,012                 | —  | 1,429,012        |
| Difference by subsidiaries conversion   | 8,391                     | —  | 8,391            |
| Reversal of provision                   | (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)         |
| Difference by subsidiaries conversion   | (170,452)                 | —  | (170,452)        |
| Reversal of provision                   | (53,459)                  | —  | (53,459)         |
| Exchange difference                     | (831)                     | 484  | (347)            |
| Closing balance as of December 31, 2013 | <u>1,138,754</u>          | <u>11,349</u>  | <u>1,150,103</u> |
| Opening balance as of January 1, 2014   | 1,138,754                 | 11,349   | 1,150,103        |
| Increase in provisions                  | 42,792                    | —  | 42,792           |
| Provision used                          | (27,597)                  | —  | (27,597)         |
| Difference by subsidiaries conversion   | (132,092)                 | —  | (132,092)        |
| Reversal of provision                   | (315,288)                 | —  | (315,288)        |
| Exchange difference                     | (1,017)                   | (1,350)  | (2,367)          |
| Closing balance as of December 31, 2014 | <u>705,552</u>            | <u>9,999</u>   | <u>715,551</u>   |

Accumulated balance includes the judicial deposit in guarantee, related to the “Fundo Aeroviário” (FA), in the amount of US\$ 90 million, was done in order to suspend the enforceability of the tax credit. The company is discussing over the Tribunal the constitutionality of the requirement made by FA in a legal suit. Initially it was covered by the effects of a provisional remedy, meaning that, the company was not obligated to collect the tax while there was not a judicial decision in this regard. However, the decision taken by a judge in the first instance was publicized in an unfavorable way, revoking the provisional remedy relief. As the legal suit is still in progress (TAM appealed from this first decision), the company needed to do the deposit judicial in guarantee to suspend the enforceability of such tax credit; deposit classified in this category deducting the existing provision. Finally, if the final decision is favorable to the company, the deposit already made is going to come back to TAM. On the other hand, if the tribunal confirms the first decision, such deposit will be converted in a definitive payment in favor of the Brazilian Government. The procedural stage at December 31, 2014 is disclosed in Note 30, at case No. 2001.51.01.012530-3.



- (\*) European Commission Provision:
- (a) This provision was established because of the investigation brought by the Directorate General for Competition of the European Commission against more than 25 cargo airlines, including Lan Cargo S.A., as part of a global investigation begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation by the European and U.S.A. authorities. The start of the investigation was disclosed through an Essential Matter report dated December 27, 2007. The U.S.A. portion of the global investigation concluded when Lan Cargo S.A. and its subsidiary, Aerolíneas Brasileiras S.A. (“ABSA”) signed a *Plea Agreement* with the U.S.A. Department of Justice, as disclosed in an Essential Matter report notice on January 21, 2009.
  - (b) A Essential Matter report dated November 9, 2010, reported that the General Direction of Competition had issued its decision on this case (the “decision”), under which it imposed fines totaling € 799,445,000 (seven hundred and ninety nine million four hundred and forty-five thousand Euros) for infringement of European Union regulations on free competition against eleven (11) airlines, among which are LATAM Airlines Group S.A. and Lan Cargo S.A., Air Canada, Air France, KLM, British Airways, Cargolux, Cathay Pacific, Japan Airlines, Qantas Airways, S.A.S. and Singapore Airlines.
  - (c) Jointly, LATAM Airlines Group S.A. and Lan Cargo S.A., have been fined in the amount of € 8,220,000 (eight million two hundred twenty thousand Euros) for said infractions, which was provisioned in the financial statements of LATAM Airlines Group S.A. This is a minor fine in comparison to the original decision, as there was a significant reduction in fine because LATAM Airlines Group S.A. cooperated during the investigation.
  - (d) On January 24, 2011, LATAM Airlines Group S.A. and Lan Cargo S.A. appealed the decision before the Court of Justice of the European Union. The procedural stage at December 31, 2014 is disclosed in Note 30, in (ii) lawsuits received by LATAM Airlines Group S.A. and Subsidiaries in European Commission Court.





NOTE 21 - OTHER NON-FINANCIAL LIABILITIES

|                                       | Current liabilities |                  | Non-current liabilities |               | Total Liabilities |                  |
|---------------------------------------|---------------------|------------------|-------------------------|---------------|-------------------|------------------|
|                                       | As of 2014          | As of 2013       | As of 2014              | As of 2013    | As of 2014        | As of 2013       |
|                                       | ThUS\$              | ThUS\$           | ThUS\$                  | ThUS\$        | ThUS\$            | ThUS\$           |
| Deferred revenues (*)                 | 2,565,391           | 2,739,125        | 355,353                 | 77,513        | 2,920,744         | 2,816,638        |
| Sales tax                             | 38,160              | 52,576           | —                       | —             | 38,160            | 52,576           |
| Retentions                            | 52,567              | 49,355           | —                       | —             | 52,567            | 49,355           |
| Others taxes                          | 18,880              | 12,294           | —                       | —             | 18,880            | 12,294           |
| Other sundry liabilities              | 10,388              | 18,290           | 48                      | 54            | 10,436            | 18,344           |
| Total other non-financial liabilities | <u>2,685,386</u>    | <u>2,871,640</u> | <u>355,401</u>          | <u>77,567</u> | <u>3,040,787</u>  | <u>2,949,207</u> |

(\*) Note 2.20.

The balance comprises, mainly, deferred income by services not yet rendered and programs such as: LANPASS, TAM Fidelidade y Multiplus:

LANPASS is the frequent flyer program created by LAN to reward the preference and loyalty its customers with many benefits and privileges, by the accumulation of kilometers that can be exchanged for free flying tickets or a wide range of products and services. Customers accumulate LANPASS kilometers every time they fly with LAN, TAM, in companies oneworld® members and other airlines associated with the program, as well as buy on the stores or use the services of a vast network of companies that have an agreement with the program around the world.

For its part, TAM, thinking on frequent flyer who travel constantly, created the program TAM Fidelidade, in order to improve the passenger attention and give recognition to those who choose the company. By using this program, customers accumulate points in a variety of programs loyalty in a single account and can redeem them at all TAM destinations and related airline companies, and even more, participate in the Red Multiplus Fidelidade.

Multiplus is a coalition of loyalty program, with the aim of operate accumulation activities and redemption of points. This program has an integrated network by associates including hotels, financial institutions, retail companies, supermarkets, vehicle rentals and magazines, among many other partners from different segments.



NOTE 22 - EMPLOYEE BENEFITS

|                                       | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|---------------------------------------|---|---|
| Retirements payments                  | 36,523                                  | 9,639                                   |
| Resignation payments                  | 5,556                                   | 493                                     |
| Other obligations                     | 32,023                                  | 35,534                                  |
| Total liability for employee benefits | <u>74,102</u>                           | <u>45,666</u>                           |

(a) The movement in retirements and resignation payments and other obligations:

|                                     | Opening<br>balance<br>ThUS\$ | Increase (decrease)<br>current service<br>provision<br>ThUS\$ | Benefits<br>paid<br>ThUS\$ | Change<br>of model<br>ThUS\$ | Closing<br>balance<br>ThUS\$ |
|-------------------------------------|------------------------------|---|----------------------------|------------------------------|------------------------------|
| From January 1 to December 31, 2012 | 13,132                       | 25,003  | (40)                       | —                            | 38,095                       |
| From January 1 to December 31, 2013 | 38,095                       | 9,866   | (2,295)                    | —                            | 45,666                       |
| From January 1 to December 31, 2014 | 45,666                       | 1,507   | (2,466)                    | 29,395                       | 74,102                       |

(b) The liability for short-term:

|                                | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|--------------------------------|---|---|
| Profit-sharing and bonuses (*) | 16,407                                  | 110,147                                 |

(\*) Accounts payables to employees (Note 19 letter b)

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

(c) Employment expenses are detailed below:

|                              | For the periods ended<br>December 31, |                  |                  |
|------------------------------|---------------------------------------|------------------|------------------|
|                              | 2014<br>ThUS\$                        | 2013<br>ThUS\$   | 2012<br>ThUS\$   |
| Salaries and wages           | 1,656,565                             | 1,720,513        | 1,296,101        |
| Short-term employee benefits | 361,328                               | 452,158          | 397,824          |
| Termination benefits         | 84,179                                | 67,508           | 32,864           |
| Other personnel expenses     | 248,030                               | 252,590          | 182,126          |
| Total                        | <u>2,350,102</u>                      | <u>2,492,769</u> | <u>1,908,915</u> |



NOTE 23 - ACCOUNTS PAYABLE, NON-CURRENT

|  | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|--|---|---|
| Aircraft and engine maintenance            | 506,312                                 | 663,837                                 |
| Tax recovery program (*)                   | —                                       | 176,666                                 |
| Fleet financing (JOL)                      | 59,148                                  | 57,997                                  |
| Provision for vacations and bonuses        | 9,595                                   | 9,879                                   |
| Other accounts payable                     | 1,945                                   | 2,654                                   |
| Other sundry liabilities                   | 454                                     | 11,854                                  |
| <b>Total accounts payable, non-current</b> | <b>577,454</b>                          | <b>922,887</b>                          |

(\*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance (See Note 17(b)).

NOTE 24 - EQUITY

(a) Capital

The Company's objective is to maintain an appropriate level of capitalization that enables it to ensure access to the financial markets for carrying out its medium and long-term objectives, optimizing the return for its shareholders and maintaining a solid financial position.

The Capital of the Company is managed and composed in the following form:

The capital of the Company at December 31, 2014 amounts to ThUS\$ 2,545,705 divided into 545,547,819 common stock of a same series (ThUS\$ 2,389,384, divided into 535,243,229 shares as of December 31, 2013), no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.



(b) Subscribed and paid shares

The following table shows the movement of the authorized and fully paid shares described above between January 1, 2013 and December 31, 2014.

|   | Nro. Of<br>shares  |
|---|--------------------|
| Movement of authorized shares   |                    |
| Authorized shares as of January 1, 2013   | 488,355,791        |
| Increase capital approved at Extraordinary Shareholders meeting dated June 11, 2013 | 63,500,000         |
| Full right decrease of treasury stock   | (7,972)            |
| Authorized shares as of December 31, 2013   | <u>551,847,819</u> |
| Authorized shares as of January 1, 2014   | 551,847,819        |
| No movement of authorized shares at December 31, 2014                               | —                  |
| Authorized shares as of December 31, 2014   | <u>551,847,819</u> |

Movement fully paid shares

|  | N° of<br>shares       | Movement<br>value of<br>shares (1)<br>ThUS\$ | Cost of issuance<br>and placement<br>of shares (2)<br>ThUS\$ | Paid- in<br>Capital<br>ThUS\$ |
|--|-----------------------|--|--|-------------------------------|
| Paid shares as of January 1, 2013  | 479,098,052           | 1,507,200                                    | (6,182)  | 1,501,018                     |
| Placement of the remaining preferential shares issued for merger Companies Sister Holdco S.A. y Holdco II S.A. | 4,457,739             | 104,351                                      | —  | 104,351                       |
| Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013     | 51,695,410            | 784,219                                      | —  | 784,219                       |
| Full right decrease of treasury stock  | (7,972)               | (25)   | —  | (25)                          |
| Capitalization of reserves   | —                     | —  | (179)  | (179)                         |
| Paid shares as of December 31, 2013  | <u>535,243,229</u>    | <u>2,395,745</u>                             | <u>(6,361)</u>   | <u>2,389,384</u>              |
| Paid shares as of January 1, 2014  | 535,243,229           | 2,395,745                                    | (6,361)  | 2,389,384                     |
| Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013     | 10,304,590            | 156,321                                      | —  | 156,321                       |
| Paid shares as of December 31, 2014  | <u>545,547,819(3)</u> | <u>2,552,066</u>                             | <u>(6,361)</u>   | <u>2,545,705</u>              |

- (1) Amounts reported represent only those arising from the payment of the shares subscribed.
- (2) Decrease of capital by capitalization of reserves for cost of issuance and placement of shares established according to Extraordinary Shareholder's Meetings, where such decreases were authorized.
- (3) At December 31, 2014, the difference between authorized shares and fully paid shares are 6,300,000 shares allocated to compensation plans for executives of LATAM Airlines Group S.A. and subsidiaries (see Note 33(a)).



(c) Treasury stock

At December 31, 2014, the Company held no treasury stock, the remaining of ThUS\$ (178) corresponds to the difference between the amount paid for the shares and their book value, at the time of the full right decrease of the shares.

At December 31, 2013, as per minutes of the Extraordinary Shareholder’s Meeting held on June 11, 2013, the company relinquished all right to 7,972 stocks of its portfolio, this date the Company does not maintain treasury stock.

(d) Reserve of share-based payments

Movement of Reserves of share-based payments:

| Periods                             | Opening balance | Stock option plan | Deferred tax | Deferred tax by tax effect of change in legal rate (Tax reform) (*) | Closing balance |
|-------------------------------------|-----------------|-------------------|--------------|---|-----------------|
|                                     | ThUS\$          | ThUS\$            | ThUS\$       | ThUS\$  | ThUS\$          |
| From January 1 to December 31, 2012 | 7,130           | (1,299)           | (257)        | —   | 5,574           |
| From January 1 to December 31, 2013 | 5,574           | 18,877            | (3,440)      | —   | 21,011          |
| From January 1 to December 31, 2014 | 21,011          | 14,728            | (3,389)      | (2,708)   | 29,642          |

(\*) On September 29, 2014, Law No. 20,780 “Amendment to the system of income taxation and introduces various adjustments in the tax system.” was published in the Official Journal of the Republic of Chile. Within major tax reforms that law contains is modified gradually from 2014 to 2018 the First- Category Tax rate to be declared and paid starting in tax year 2015.

The effect on deferred tax calculated on the reserves of share- based payments by modifying the tax rate mentioned above, was a charge to equity of ThUS\$ 2,708.

These reserves are related to the “Share-based payments” explained in Note 33.

(e) Other sundry reserves

Movement of Other sundry reserves:

| Periods                             | Opening balance | Transactions with non-controlling interest | Cost of issuance and placement of shares | Capitalization share issuance and placement cost | Higer value for TAM S.A. share exchange | Legal reserves | Closing balance |
|-------------------------------------|-----------------|--|--|--|---|----------------|-----------------|
|                                     | ThUS\$          | ThUS\$                                     | ThUS\$                                   | ThUS\$   | ThUS\$                                  | ThUS\$         | ThUS\$          |
| From January 1 to December 31, 2012 | 1,362           | (1,604)                                    | (3,510)(1)                               | 3,510(1)   | 2,665,692                               | 1,232          | 2,666,682       |
| From January 1 to December 31, 2013 | 2,666,682       | (1,950)                                    | (5,443)(2)                               | 179(3)   | —                                       | (1,668)        | 2,657,800       |
| From January 1 to December 31, 2014 | 2,657,800       | (21,526)                                   | —  | —  | —                                       | (526)          | 2,635,748       |

(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. Capitalization share issuance and placement cost caused by the capital increase carried out in 2007, as set out Extraordinary Meeting of Shareholders held on December 21, 2011.



- (2) The costs incurred through the issuance and placement to ThUS\$ 5,264 and ThUS\$ 179 corresponds to the capital increase authorized at the Extraordinary Meeting of Shareholders held on June 11, 2013 and the remaining 7,436,816 shares, not used in this exchange (business combination with TAM S.A. and subsidiaries), reallocated as agreed at the Extraordinary Shareholders' Meeting held on September 4, 2012, respectively.
- (3) The cost of ThUS\$ 179 was capitalized during June 2013, according with minute of the Extraordinary Meeting of Shareholders held on June 11, 2013.

Balance of Other sundry reserves comprises the following:

|   | As of<br>December<br>31, 2014<br><u>ThUS\$</u> | As of<br>December<br>31, 2013<br><u>ThUS\$</u> | As of<br>December<br>31, 2012<br><u>ThUS\$</u> |
|---|--|--|--|
| Higher value for TAM S.A. share exchange (1)                | 2,665,692                                      | 2,665,692                                      | 2,665,692                                      |
| Reserve for the adjustment to the value of fixed assets (2) | 2,620  | 2,620  | 2,620  |
| Transactions with non-controlling interest (3)              | (25,891)                                       | (5,355)  | (3,405)  |
| Cost of issuance and placement of shares                    | (5,264)  | (5,264)  | —  |
| Others  | (1,409)  | 107  | 1,775  |
| Total   | <u>2,635,748</u>                               | <u>2,657,800</u>                               | <u>2,666,682</u>                               |

- (1) Corresponds to the difference in the shares value of TAM S.A. acquired (under subscriptions) by Sister Holdco S.A. and Holdco II S.A. (under the Exchange Offer), as stipulated in the Declaration of Posting of Merger by Absorption and the fair value of these exchange shares of LATAM Airlines Group S.A. at June 22, 2012.
- (2) Corresponds to the technical revaluation of fixed assets authorized by the Superintendence of Securities and Insurance in 1979, in Circular No. 1,529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.
- (3) The balance at December 31, 2014, correspond to the loss generated by the participation of Lan Pax Group S.A. in the acquisition of shares of Aerovías de Integración Regional Aires of ThUS\$ (3,480), the acquisition of TAM S.A. of the minority holding of Aerolinhas Brasileiras S.A. of ThUS\$ (885) and the acquisition of minority interest of Aerolane S.A. by Lan Pax group S.A. through Holdco Ecuador S.A. for US\$ (21,526).



(f) Reserves with effect in other comprehensive income.

Movement of Reserves with effect in other comprehensive income:

|   | Currency<br>translation<br>reserve | Cash flow<br>hedging<br>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)            |
| Difference by subsidiaries conversion                               | 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)           |
| Difference by subsidiaries conversion                               | (593,565)                          | —                               | (593,565)          |
| Closing balance as of December 31, 2013                             | <u>(589,991)</u>                   | <u>(34,508)</u>                 | <u>(624,499)</u>   |
| Opening balance as of January 1, 2014                               | (589,991)                          | (34,508)                        | (624,499)          |
| Derivatives valuation gains (losses)                                | —                                  | (165,231)                       | (165,231)          |
| Deferred tax  | —                                  | 40,647                          | 40,647             |
| Tax effect on deferred tax by change legal tax rate (Tax reform)(*) | —                                  | 7,752                           | 7,752              |
| Difference by subsidiaries conversion                               | (603,880)                          | —                               | (603,880)          |
| Closing balance as of December 31, 2014                             | <u>(1,193,871)</u>                 | <u>(151,340)</u>                | <u>(1,345,211)</u> |

(\*) On September 29, 2014, Law No. 20,780 “Amendment to the system of income taxation and introduces various adjustments in the tax system.” was published in the Official Journal of the Republic of Chile. Within major tax reforms that law contains is modified gradually from 2014 to 2018 the First- Category Tax rate to be declared and paid starting in tax year 2015.

(f.1) Currency translation reserve

These originate from exchange differences arising from the translation of any investment in foreign entities (or Chilean investment with a functional currency different to that of the parent), and from loans and other instruments in foreign currency designated as hedges for such investments. When the investment (all or part) is sold or disposed and loss of control occurs, these reserves are shown in the consolidated statement of income as part of the loss or gain on the sale or disposal. If the sale does not involve loss of control, these reserves are transferred to non-controlling interests.

(f.2) Cash flow hedging reserve

These originate from the fair value valuation at the end of each period of the outstanding derivative contracts that have been defined as cash flow hedges. When these contracts expire, these reserves should be adjusted and the corresponding results recognized.



## (g) Retained earnings

## Movement of Retained earnings:

| Periods                             | Opening balance | Result for the period | Other increase (decreases) | Dividends | Closing balance |
|-------------------------------------|-----------------|-----------------------|----------------------------|-----------|-----------------|
|                                     | ThUS\$          | ThUS\$                | ThUS\$                     | ThUS\$    | ThUS\$          |
| From January 1 to December 31, 2012 | 1,116,798       | (19,076)              | 163                        | (21,749)  | 1,076,136       |
| From January 1 to December 31, 2013 | 1,076,136       | (281,114)             | 281                        | —         | 795,303         |
| From January 1 to December 31, 2014 | 795,303         | (259,985)             | 872                        | —         | 536,190         |

## (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, 2014, have not been provisioned minimum mandatory dividends.





## NOTE 25 - REVENUE

The detail of revenues is as follows:

|                | For the periods ended<br>December 31, |                   |                  |
|----------------|---------------------------------------|-------------------|------------------|
|                | 2014<br>ThUS\$                        | 2013<br>ThUS\$    | 2012<br>ThUS\$   |
| Passengers LAN | 4,464,761                             | 4,731,296         | 4,529,100        |
| Passengers TAM | 5,915,361                             | 6,330,262         | 3,437,746        |
| Cargo          | 1,713,379                             | 1,862,979         | 1,743,526        |
| Total          | <u>12,093,501</u>                     | <u>12,924,537</u> | <u>9,710,372</u> |

## NOTE 26 - COSTS AND EXPENSES BY NATURE

## (a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

|                                | For the periods ended<br>December 31, |                  |                  |
|--------------------------------|---------------------------------------|------------------|------------------|
|                                | 2014<br>ThUS\$                        | 2013<br>ThUS\$   | 2012<br>ThUS\$   |
| Aircraft fuel                  | 4,167,030                             | 4,414,249        | 3,434,569        |
| Other rentals and landing fees | 1,327,238                             | 1,373,061        | 1,048,342        |
| Aircraft rentals               | 521,384                               | 441,077          | 313,038          |
| Aircraft maintenance           | 452,731                               | 477,086          | 297,618          |
| Comissions                     | 365,508                               | 408,671          | 308,941          |
| Passenger services             | 300,325                               | 331,405          | 239,848          |
| Other operating expenses       | 1,487,672                             | 1,644,827        | 1,316,095        |
| Total                          | <u>8,621,888</u>                      | <u>9,090,376</u> | <u>6,958,451</u> |



## (b) Depreciation and amortization

Depreciation and amortization are detailed below:

|                  | For the periods ended<br>December 31, |                  |                |
|------------------|---------------------------------------|------------------|----------------|
|                  | 2014                                  | 2013             | 2012           |
|                  | ThUS\$                                | ThUS\$           | ThUS\$         |
| Depreciation (*) | 943,731                               | 985,317          | 739,973        |
| Amortization     | 47,533                                | 56,416           | 31,140         |
| Total            | <u>991,264</u>                        | <u>1,041,733</u> | <u>771,113</u> |

(\*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at December 31, 2014 is ThUS\$ 373,183 (ThUS\$ 396,974 at December 31, 2013 and ThUS\$ 315,206 at December 31, 2012).

## (c) Personnel expenses

The costs for personnel expenses are disclosed in Note 22 liability for employee benefits.

## (d) Financial costs

The detail of financial costs is as follows:

|                             | For the periods ended<br>December 31, |                |                |
|-----------------------------|---------------------------------------|----------------|----------------|
|                             | 2014                                  | 2013           | 2012           |
|                             | ThUS\$                                | ThUS\$         | ThUS\$         |
| Bank loan interest          | 330,298                               | 382,969        | 185,013        |
| Financial leases            | 72,242                                | 76,343         | 44,717         |
| Other financial instruments | 27,494                                | 3,212          | 64,868         |
| Total                       | <u>430,034</u>                        | <u>462,524</u> | <u>294,598</u> |

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 22, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.



## (e) Restructuring Costs

As part of the ongoing process of review its fleet plan, the company decided to implement a broad restructuring plan in order to reduce the variety of aircraft currently in operation and gradually withdrawing the less efficient. According with this plan, during the first quarter of 2014 were formalized contracts and commitments having as a result a negative impact on the results of such period of US\$ 112 million before tax that are associated with exit costs of seven A330, six A340, five B737, three Q400, five A319 and three B767-33A aircraft. These exit costs are associated with penalties related to early repayment and maintenance costs for returning.

## NOTE 27 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

|                            | For the periods ended<br>December 31, |                |                |
|----------------------------|---------------------------------------|----------------|----------------|
|                            | 2014<br>ThUS\$                        | 2013<br>ThUS\$ | 2012<br>ThUS\$ |
| Tours                      | 109,788                               | 105,449        | 74,226         |
| Aircraft leasing           | 31,104                                | 36,614         | 28,863         |
| Customs and warehousing    | 22,368                                | 24,281         | 24,537         |
| Duty free                  | 18,076                                | 14,748         | 17,463         |
| Maintenance                | 15,421                                | 12,392         | 5,358          |
| Other miscellaneous income | 180,888                               | 148,081        | 69,709         |
| Total                      | <u>377,645</u>                        | <u>341,565</u> | <u>220,156</u> |

## NOTE 28 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

The functional currency of LATAM Airlines Group S.A. is the US dollar, also it has subsidiaries whose functional currency is different to the US dollar, such as the Chilean peso, Argentine peso, Colombian peso and Brazilian real.

The functional currency is defined primarily as the currency of the primary economic environment in which an entity operates and in each entity and all other currencies are defined as foreign currency.

Considering the above, the balances by currency mentioned in this note correspond to the sum of foreign currency of each of the entities that make LATAM Airlines Group S.A. and Subsidiaries.



## (a) Foreign currency

The foreign currency detail of balances of monetary items in current and non-current assets is as follows:

| <u>Current assets</u>           | As of                | As of                |
|---------------------------------|----------------------|----------------------|
|                                 | December 31,<br>2014 | December 31,<br>2013 |
|                                 | ThUS\$               | ThUS\$               |
| Cash and cash equivalents       | 213,161              | 538,213              |
| Argentine peso                  | 22,121               | 41,092               |
| Brazilian real                  | 2,365                | 3,683                |
| Chilean peso                    | 30,453               | 229,913              |
| Colombian peso                  | 1,622                | 5,254                |
| Euro                            | 9,639                | 16,571               |
| U.S. dollar                     | 50,652               | 44,656               |
| Strong bolivar                  | 63,236               | 162,809              |
| Other currency                  | 33,073               | 34,235               |
| Other financial assets, current | 73,030               | 51,082               |
| Argentine peso                  | 40,939               | 885                  |
| Chilean peso                    | 25,781               | 25,854               |
| Colombian peso                  | —                    | 2,039                |
| Euro                            | 1                    | 6                    |
| U.S. dollar                     | 6,008                | 22,035               |
| Strong bolivar                  | 43                   | 14                   |
| Other currency                  | 258                  | 249                  |



| <u>Current assets</u>                                     | As of                | As of                |
|---|----------------------|----------------------|
|   | December 31,<br>2014 | December 31,<br>2013 |
|   | ThUS\$               | ThUS\$               |
| <b>Other non-financial assets, current</b>                | <b>59,700</b>        | <b>56,218</b>        |
| Argentine peso  | 7,326                | 5,310                |
| Brazilian real  | 148                  | 846                  |
| Chilean peso  | 18,073               | 16,846               |
| Colombian peso  | 1,415                | 1,011                |
| Euro  | 2,523                | 3,052                |
| U.S. dollar   | 5,751                | 2,221                |
| Strong bolivar  | 330                  | 102                  |
| Other currency  | 24,134               | 26,830               |
| <b>Trade and other accounts receivable, current</b>       | <b>543,257</b>       | <b>417,775</b>       |
| Argentine peso  | 61,291               | 11,387               |
| Brazilian real  | 33,267               | 19,986               |
| Chilean peso  | 128,780              | 80,461               |
| Colombian peso  | 4,394                | 2,240                |
| Euro  | 38,764               | 21,479               |
| U.S. dollar   | 75,876               | 114,372              |
| Strong bolivar  | 4,895                | 2,353                |
| Other currency  | 195,990              | 165,497              |
| <b>Accounts receivable from related entities, current</b> | <b>299</b>           | <b>466</b>           |
| Chilean peso  | 299                  | 466                  |
| <b>Tax current assets</b>                                 | <b>21,605</b>        | <b>14,836</b>        |
| Argentine peso  | 2,300                | —                    |
| Brazilian real  | 2                    | —                    |
| Chilean peso  | 5,773                | 3,398                |
| Colombian peso  | 1,995                | 787                  |
| Euro  | 21                   | 35                   |
| U.S. dollar   | 467                  | 515                  |
| Other currency  | 11,047               | 10,101               |
| <b>Total current assets</b>                               | <b>911,052</b>       | <b>1,078,590</b>     |
| Argentine peso  | 133,977              | 58,674               |
| Brazilian real  | 35,782               | 24,515               |
| Chilean peso  | 209,159              | 356,938              |
| Colombian peso  | 9,426                | 11,331               |
| Euro  | 50,948               | 41,143               |
| U.S. Dollar   | 138,754              | 183,799              |
| Strong bolivar  | 68,504               | 165,278              |
| Other currency  | 264,502              | 236,912              |



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| <u>Non-current assets</u>                        | As of                | As of                |
|--|----------------------|----------------------|
|  | December 31,<br>2014 | December 31,<br>2013 |
|  | ThUS\$               | ThUS\$               |
| <b>Other financial assets, non-current</b>       | <b>36,715</b>        | <b>49,786</b>        |
| Argentine peso                                   | 57                   | 24                   |
| Brazilian real                                   | 1,050                | 597                  |
| Chilean peso                                     | 1,100                | 1,701                |
| Colombian peso                                   | 203                  | 254                  |
| Euro   | 4,243                | 5,488                |
| U.S. dollar                                      | 29,238               | 40,894               |
| Other currency                                   | 824                  | 828                  |
| <b>Other non - financial assets, non-current</b> | <b>18,803</b>        | <b>18,006</b>        |
| Argentine peso                                   | 45                   | —                    |
| U.S. dollar                                      | 1                    | —                    |
| Other currency                                   | 18,757               | 18,006               |
| <b>Accounts receivable, non-current</b>          | <b>10,569</b>        | <b>13,429</b>        |
| Chilean peso                                     | 5,413                | 8,227                |
| U.S. dollar                                      | 5,000                | 5,000                |
| Other currency                                   | 156                  | 202                  |
| <b>Deferred tax assets</b>                       | <b>2,613</b>         | <b>4,460</b>         |
| Colombian peso                                   | 256                  | —                    |
| U.S. dollar                                      | 3                    | 2,056                |
| Other currency                                   | 2,354                | 2,404                |
| <b>Total non-current assets</b>                  | <b>68,700</b>        | <b>85,681</b>        |
| Argentine peso                                   | 102                  | 24                   |
| Brazilian real                                   | 1,050                | 597                  |
| Chilean peso                                     | 6,513                | 9,928                |
| Colombian peso                                   | 459                  | 254                  |
| Euro   | 4,243                | 5,488                |
| U.S. dollar                                      | 34,242               | 47,950               |
| Other currency                                   | 22,091               | 21,440               |



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The foreign currency detail of balances of monetary items in current liabilities and non-current is as follows:

|   | Up to 90 days        |                      | 91 days to 1 year    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | As of                | As of                | As of                | As of                |
|   | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
|   | ThUS\$               | ThUS\$               | ThUS\$               | ThUS\$               |
| <u>Current liabilities</u>                    |                      |                      |                      |                      |
| Other financial liabilities, current          | 71,436               | 303,626              | 173,416              | 561,428              |
| Chilean peso                                  | 15,542               | 53,619               | 42,725               | 46,772               |
| Euro  | 547                  | 824                  | —                    | 1,205                |
| U.S. dollar                                   | 55,347               | 249,183              | 130,691              | 513,451              |
| Trade and other accounts payables, current    | 421,188              | 679,769              | 20,875               | 20,676               |
| Argentine peso                                | 38,740               | 31,603               | —                    | —                    |
| Brazilian real                                | 14,330               | 9,671                | 13                   | 8                    |
| Chilean peso                                  | 25,040               | 29,560               | 11,502               | 11,975               |
| Colombian peso                                | 13,652               | 14,445               | 187                  | 422                  |
| Euro  | 35,937               | 19,373               | 8,266                | 3,316                |
| U.S. dollar                                   | 175,298              | 433,377              | 827                  | 4,902                |
| Strong bolivar                                | 5,261                | 4,024                | —                    | —                    |
| Other currency                                | 112,930              | 137,716              | 80                   | 53                   |
| Accounts payable to related entities, current | 35                   | 318                  | —                    | —                    |
| Chilean peso                                  | 8                    | 14                   | —                    | —                    |
| U.S. dollar                                   | 27                   | 304                  | —                    | —                    |
| Tax liabilities, current                      | 268                  | 134                  | —                    | —                    |
| Chilean peso                                  | 268                  | 4                    | —                    | —                    |
| Other currency                                | —                    | 130                  | —                    | —                    |



| Current liabilities                      | Up to 90 days        |                      | 91 days to 1 year    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | As of                | As of                | As of                | As of                |
|  | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
|  | ThUS\$               | ThUS\$               | ThUS\$               | ThUS\$               |
| Other non-financial liabilities, current | 126,953              | 76,040               | 158                  | 72                   |
| Argentine peso                           | 5,698                | 10,710               | —                    | —                    |
| Brazilian real                           | 959                  | 3,746                | 46                   | 52                   |
| Chilean peso                             | 18,798               | 37,227               | —                    | 19                   |
| Colombian peso                           | 4,670                | 6,069                | —                    | —                    |
| Euro                                     | 6,400                | 8,382                | —                    | —                    |
| U.S. dollar                              | 44,728               | 1,272                | 111                  | —                    |
| Strong bolivar                           | 227                  | 637                  | —                    | —                    |
| Other currency                           | 45,473               | 7,997                | 1                    | 1                    |
| Total current liabilities                | 619,880              | 1,059,887            | 194,449              | 582,176              |
| Argentine peso                           | 44,438               | 42,313               | —                    | —                    |
| Brazilian real                           | 15,289               | 13,417               | 59                   | 60                   |
| Chilean peso                             | 59,656               | 120,424              | 54,227               | 58,766               |
| Colombian peso                           | 18,322               | 20,514               | 187                  | 422                  |
| Euro                                     | 42,884               | 28,579               | 8,266                | 4,521                |
| U.S. dollar                              | 275,400              | 684,136              | 131,629              | 518,353              |
| Strong bolivar                           | 5,488                | 4,661                | —                    | —                    |
| Other currency                           | 158,403              | 145,843              | 81                   | 54                   |

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| Non-current liabilities                               | More than 1 to 3 years |                      | More than 3 to 5 years |                      | More than 5 years    |                      |
|---|------------------------|----------------------|------------------------|----------------------|----------------------|----------------------|
|   | As of                  | As of                | As of                  | As of                | As of                | As of                |
|   | December 31,<br>2014   | December 31,<br>2013 | December 31,<br>2014   | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
|   | ThUS\$                 | ThUS\$               | ThUS\$                 | ThUS\$               | ThUS\$               | ThUS\$               |
| <b>Other financial liabilities, non-current</b>       | <b>625,406</b>         | <b>578,393</b>       | <b>171,288</b>         | <b>754,256</b>       | <b>1,088,218</b>     | <b>1,366,860</b>     |
| Chilean peso  | 112,161                | 122,780              | 17,186                 | 80,528               | —                    | —                    |
| U.S. dollar   | 513,245                | 455,613              | 154,102                | 673,728              | 1,088,218            | 1,366,860            |
| <b>Accounts payable, non-current</b>                  | <b>474,955</b>         | <b>647,880</b>       | <b>2,316</b>           | <b>641</b>           | <b>—</b>             | <b>11</b>            |
| Chilean peso  | 4,938                  | 7,187                | 2,316                  | 641                  | —                    | 11                   |
| U.S. dollar   | 468,184                | 639,204              | —                      | —                    | —                    | —                    |
| Other currency  | 1,833                  | 1,489                | —                      | —                    | —                    | —                    |
| <b>Other provisions, non-current</b>                  | <b>16,660</b>          | <b>11,929</b>        | <b>—</b>               | <b>—</b>             | <b>—</b>             | <b>—</b>             |
| Argentine peso  | 454                    | 410                  | —                      | —                    | —                    | —                    |
| Brazilian real  | 146                    | 146                  | —                      | —                    | —                    | —                    |
| Chilean peso  | 36                     | —                    | —                      | —                    | —                    | —                    |
| Euro  | 9,999                  | 11,349               | —                      | —                    | —                    | —                    |
| U.S. dollar   | 6,025                  | 24                   | —                      | —                    | —                    | —                    |
| <b>Provisions for employees benefits, non-current</b> | <b>822</b>             | <b>636</b>           | <b>—</b>               | <b>—</b>             | <b>—</b>             | <b>—</b>             |
| U.S. dollar   | 822                    | 636                  | —                      | —                    | —                    | —                    |
| <b>Total non-current liabilities</b>                  | <b>1,117,843</b>       | <b>1,238,838</b>     | <b>173,604</b>         | <b>754,897</b>       | <b>1,088,218</b>     | <b>1,366,871</b>     |
| Argentine peso  | 454                    | 410                  | —                      | —                    | —                    | —                    |
| Brazilian real  | 146                    | 146                  | —                      | —                    | —                    | —                    |
| Chilean peso  | 117,135                | 129,967              | 19,502                 | 81,169               | —                    | 11                   |
| Euro  | 9,999                  | 11,349               | —                      | —                    | —                    | —                    |
| U.S. dollar   | 988,276                | 1,095,477            | 154,102                | 673,728              | 1,088,218            | 1,366,860            |
| Other currency  | 1,833                  | 1,489                | —                      | —                    | —                    | —                    |



| <u>General summary of foreign currency:</u> | As of                | As of                |
|---|----------------------|----------------------|
|   | December 31,<br>2014 | December 31,<br>2013 |
|   | ThUS\$               | ThUS\$               |
| <b>Total assets</b>                         | <b>979,752</b>       | <b>1,164,271</b>     |
| Argentine peso                              | 134,079              | 58,698               |
| Brazilian real                              | 36,832               | 25,112               |
| Chilean peso                                | 215,672              | 366,866              |
| Colombian peso                              | 9,885                | 11,585               |
| Euro  | 55,191               | 46,631               |
| U.S. dollar                                 | 172,996              | 231,749              |
| Strong bolivar                              | 68,504               | 165,278              |
| Other currency                              | 286,593              | 258,352              |
| <b>Total liabilities</b>                    | <b>3,193,994</b>     | <b>5,002,669</b>     |
| Argentine peso                              | 44,892               | 42,723               |
| Brazilian real                              | 15,494               | 13,623               |
| Chilean peso                                | 250,520              | 390,337              |
| Colombian peso                              | 18,509               | 20,936               |
| Euro  | 61,149               | 44,449               |
| U.S. dollar                                 | 2,637,625            | 4,338,554            |
| Strong bolivar                              | 5,488                | 4,661                |
| Other currency                              | 160,317              | 147,386              |
| <b>Net position</b>                         |                      |                      |
| Argentine peso                              | 89,187               | 15,975               |
| Brazilian real                              | 21,338               | 11,489               |
| Chilean peso                                | (34,848)             | (23,471)             |
| Colombian peso                              | (8,624)              | (9,351)              |
| Euro  | (5,958)              | 2,182                |
| U.S. dollar                                 | (2,464,629)          | (4,106,805)          |
| Strong bolivar                              | 63,016               | 160,617              |
| Other currency                              | 126,276              | 110,966              |



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(b) Exchange differences

Exchange differences recognized in the income statement, except for financial instruments measured at fair value through profit or loss, for the period ended December 31, 2014 and 2013, generated a debit of ThUS\$ 130,201 and ThUS\$ 482,174, respectively. For the period ended December 31, 2012 generated a credit of ThUS\$ 66,685.

Exchange differences recognized in equity as reserves for currency translation differences for the period ended December 31, 2014 and 2013, represented a debit of ThUS\$ 650,439 and ThUS\$ 629,858, respectively. For the period ended December 31, 2012 generated a credit of ThUS\$ 19,170.

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

|                    | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|--------------------|-------------------------------|-------------------------------|
| Argentine peso     | 8.55                          | 6.52                          |
| Brazilian real     | 2.66                          | 2.36                          |
| Chilean peso       | 606.75                        | 524.61                        |
| Colombian peso     | 2,839.50                      | 1,925.52                      |
| Euro               | 0.82                          | 0.72                          |
| Strong bolivar     | 12.00                         | 6.30                          |
| Australian dollar  | 1.22                          | 1.12                          |
| Boliviano          | 6.86                          | 6.86                          |
| Mexican peso       | 14.74                         | 13.07                         |
| New Zealand dollar | 1.28                          | 1.22                          |
| Peruvian Sol       | 2.99                          | 2.80                          |
| Uruguayan peso     | 24.25                         | 21.49                         |



NOTE 29 - EARNINGS / (LOSS) PER SHARE

| Basic earnings / (loss) per share                               | For the periods ended |             |             |
|---|-----------------------|-------------|-------------|
|   | 2014                  | 2013        | 2012        |
| Earnings / (loss) attributable to owners of the parent (ThUS\$) | (259,985)             | (281,114)   | (19,076)    |
| Weighted average number of shares, basic                        | 545,547,819           | 487,930,977 | 412,267,624 |
| Basic earnings / (loss) per share (US\$)                        | (0.47656)             | (0.57613)   | (0.04627)   |

| Diluted earnings / (loss) per share                             | For the periods ended |             |             |
|---|-----------------------|-------------|-------------|
|   | 2014                  | 2013        | 2012        |
| Earnings / (loss) attributable to owners of the parent (ThUS\$) | (259,985)             | (281,114)   | (19,076)    |
| Weighted average number of shares, basic                        | 545,547,819           | 487,930,977 | 412,267,624 |
| Weighted average number of shares, diluted                      | 545,547,819           | 487,930,977 | 412,267,624 |
| Diluted earnings / (loss) per share (US\$)                      | (0.47656)             | (0.57613)   | (0.04627)   |



NOTE 30 - CONTINGENCIES

Lawsuits

(i) Lawsuits filed by LATAM Airlines Group S.A. and Subsidiaries

| <u>Company</u>                          | <u>Court</u>   | <u>Case Number</u> | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts Committed</u><br>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 29 <sup>th</sup> , 2007 Varig Logistics S.A. ("Variglog") for non-payment of four documented loans in credit agreements governed by New York law. These contracts establish the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A.   | In implementation stage in Switzerland, the conviction stated that Variglog should pay the principal, interest and costs in favor of AAI. It keeps the embargo of Variglog funds in Switzerland with AAI. Variglog is in the process of judicial recovery in Brazil and has asked Switzerland to recognize the judgment that declared the state of judicial recovery and subsequent bankruptcy. | 17,100<br>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 <sup>th</sup> , 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 <sup>th</sup> , 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<br>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><br>ThUS\$ |
|--------------------|--------------------------------|--------------------|--|--|------------------------------------|
| Lan Argentina S.A. | National Administrative Court. | 36337/13           | ORSNA Resolution No. 123 which directs Lan Argentina to vacate the hangar located in the Airport named Aeroparque Metropolitano Jorge Newberry, Argentina. | On June 19 <sup>th</sup> , 2014, the Second Division of the Federal Administrative Chamber confirmed the extension of the injunction granted by the Court of 1st Instance in March. On September 18 <sup>th</sup> , 2014 the Court of 1st Instance decided to extend the validity of the injunction until a sentence is reached in the main trial. On December 30 <sup>th</sup> , 2014 the Supreme Court of Justice of the Nation decided to reject the appeal of complaint presented by ORSNA against the granting of the injunction. | Undetermined                       |



(ii) Lawsuits received by LATAM Airlines Group S.A. and Subsidiaries

| <u>Company</u>                             | <u>Court</u>   | <u>Case Number</u> | <u>Origin</u>   | <u>Stage of trial</u>  | <u>Amounts Committed</u><br>ThUS\$ |
|--|--|--------------------|---|--|------------------------------------|
| LATAM Airlines Group S.A. y Lan Cargo S.A. | European Commission.   | —                  | Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26 <sup>th</sup> , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight. On November 9 <sup>th</sup> , 2010, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the imposition of a fine in the amount of ThUS\$ 9,999. This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. We cannot predict the outcome of this appeal process. | On April 14 <sup>th</sup> , 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011. | 9,999                              |
| Lan Cargo S.A. y LATAM Airlines Group S.A. | In the High Court of Justice Chancery División (England) Ovre Romerike District Court (Norway) y Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands), Cologne Regional Court (Landgericht Köln Germany). | —                  | Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway and the Netherlands.   | Cases are in the uncovering evidence stage.  | Undetermined                       |



| <u>Company</u>              | <u>Court</u>   | <u>Case Number</u>        | <u>Origin</u>   | <u>Stage of trial</u>  | <u>Amounts Committed</u><br>ThUS\$ |
|-----------------------------|--|---------------------------|---|--|------------------------------------|
| Aerolinhas Brasileiras S.A. | Administrative Council for Economic Defense, Brazil. | 08012.011027/2006-02      | Investigation of alleged infringements to competition of cargo airlines, especially fuel surcharge  | On the conviction stated over the new administrative appeal, the Administrative Council for Economics Defense (CADE) agreed to reduce the amounts of the fines imposed to ABSA and its executives, as following: (i) ABSA: US\$ 12 million; (ii) Norberto Jochmann: ThUS\$ 246; (iii) Hernan Merino: ThUS\$ 123; (iv) Felipe Meyer: ThUS\$ 123. After internal analysis it was decided not to present new administrative appeals in order to try new reductions on the Court before a cancellation request that will be filed in the beginning of 2015, through the guarantee of the previously mentioned amounts. | 12,315                             |
| Aerolinhas Brasileiras S.A. | Federal Justice.                                     | 0001872-58.2014.4.03.6105 | Is discussed the collection of court fines and taxes originally imposed and collected through administrative process 10831.005704/2006-43. We obtained adverse decision administratively and are judicially discussing now.   | First instance - pending Federal Union statement regarding our request for invalidation of the tax debt.   | 13,668                             |
| LATAM Airlines Group S.A.   | Tenth Civil Court of Santiago.                       | C-32989-2011              | Jara and Jara Limited company demanded LATAM Airlines Group S.A. based on the damage they have caused by fraud complaints filed against them in 2008, and were finally dismissed. They claim that the damage caused by LATAM Airlines Group S.A. affected their prestige and business continuity. | The trial is currently in first instance. LATAM Airlines Group S.A. has requested the abandonment of the procedure. The resolution of this incident is pending.  | 11,935                             |





| <u>Company</u>         | <u>Court</u>                       | <u>Case Number</u>   | <u>Origin</u>  | <u>Stage of trial</u>  | <u>Amounts Committed</u><br>ThUS\$ |
|------------------------|------------------------------------|----------------------|--|--|------------------------------------|
| Tam Linhas Aéreas S.A. | Court of the Second Region.        | 2001.51.01.012530-0  | Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to raise the Air Fund. | Unfavorable court decision in first instance. Currently expecting the ruling of the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered by US\$ 90 million which is revealed in more detail in Note 20. | 111,011                            |
| Tam Linhas Aéreas S.A. | Internal Revenue Service of Brazil | 16643.000087/2009-36 | Notice of Violation to the requirement to pay the Social Contribution on Liquid Profit (CSL).  | Decisions of first and second administrative instance adverse to the interests of the company. Currently expecting the result on the new appeal filed by the company are expected.   | 27,270                             |
| Tam Linhas Aéreas S.A. | Internal Revenue Service of Brazil | 10880.725950/2011-05 | Compensation credits of the Social Integration Program (PIS) and Contribution for Social Security Financing (COFINS).                              | Court decision was unfavorable to the interests of the company, which was appealed. At present, pending the trial of the appeal, the Board of Tax Appeals (CARF).  | 25,070                             |



| <u>Company</u>         | <u>Court</u>                                     | <u>Case Number</u>        | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts Committed</u><br>ThUS\$ |
|------------------------|--|---------------------------|--|---|------------------------------------|
| Tam Linhas Aéreas S.A. | 6th Rod Treasury of San Pablo.                   | 0012938-14.2013.8.26.0053 | Lawsuit filed by the tax authority imputing to TAM the Service Tax on amounts paid to Infraero, according to a change in applicable law.   | The application for interlocutory appeal with preliminary injunction was granted, suspending the accrual of tax credits derived from the file infringement n. 66233992, 66234000 and 66234026. On March 10, 2014, the Municipal Government of Sao Paulo presented opposed bill. Currently awaiting trial on the merits of the appeal mentioned. | 12,517                             |
| Tam Linhas Aéreas S.A. | Internal Revenue Service of Brazil               | 16643.000085/2009-47      | File demanding the recovery of income tax and social contribution on net profits (CSL) derived from royalties and costs of using the TAM brand.  | First instance decision was unfavorable to the interests of the company. Currently expecting ruling on the appeal filed by the company on March 15, 2012.   | 12,069                             |
| Tam Linhas Aéreas S.A. | Internal Revenue Service of Brazil               | 10831.012344/2005-55      | Auto infringement presented to demand the import tax (II), the Social Integration Program (PIS) Contribution for Social Security Financing (COFINS) arising from the loss of international unidentified cargo. | The trial is currently in the Board of Tax Appeals (CARF).  | 9,709                              |
| Tam Linhas Aéreas S.A. | Department of Finance of the State of Sao Paulo. | 3.123.785-0               | Infringement notice to demand payment of the tax on the circulation of goods and services (ICMS) regulating the import of aircraft.  | Currently awaiting the decision on the appeal filed by the company.   | 10,081                             |



| <u>Company</u>   | <u>Court</u>   | <u>Case Number</u>         | <u>Origin</u>   | <u>Stage of trial</u>  | <u>Amounts<br/>Committed</u><br>ThUS\$ |
|--|--|----------------------------|---|--|--|
| Tam Linhas<br>Aéreas S.A.                                | 1st Civil Court of<br>the District of<br>Goiânia/GO.                                 | 200702435095<br>(ordinary) | Lawsuit filed by a former TAM sales representative that requires compensation for moral and material damages resulting from the termination of his contract as sales representative.  | Currently undergoing liquidation sentencing and pending term expert witness.   | 8,909                                  |
| Aerovías de<br>Integración<br>Regional,<br>AIRES<br>S.A. | United States<br>Court of Appeals<br>for the Eleventh<br>Circuit, Florida,<br>U.S.A. | 2013-20319<br>CA 01        | <p>The July 30<sup>th</sup>, 2012 LAN COLOMBIA AIRLINES initiated a legal process in Colombia against Regional One INC and Volvo Aero Services LLC, to declare that these companies are civilly liable for moral and material damages caused to LAN COLOMBIA AIRLINES arising from breach of contractual obligations of the aircraft HK- 4107.</p> <p>The June 20<sup>th</sup>, 2013 AIRES SA And / Or LAN AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LAN COLOMBIA AIRLINES customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.</p> | <p>The process in Colombia is pending resolution of preliminary objections filed by the defendant. The Federal Court ruled on March 26<sup>th</sup>, 2014 and approved the request from LAN AIRLINES COLOMBIA to suspend the process in the U.S. as the demand in Colombia is underway. Additionally, the U.S. judge closed the case administratively. Regional One appealed this decision to the Federal Court, and in September 2014 the Court ordered the parties to reconcile, process that is currently underway.</p> | 12,443                                 |



| <u>Company</u>              | <u>Court</u>  | <u>Case Number</u>        | <u>Origin</u>   | <u>Stage of trial</u>   | <u>Amounts Committed</u><br>ThUS\$      |
|-----------------------------|---|---------------------------|---|---|---|
| Tam Linhas Aéreas S.A.      | Department of Finance of the State of Rio de Janeiro. | 03.431129-0               | The State of Rio de Janeiro requires VAT tax credit for the purchase of kerosene (jet fuel). According to a report, the auditor noted that none of the laws of Rio de Janeiro authorizes the appropriation of credit, so the credit was refused and demanded tribute. | Objection was filed on December 12 <sup>th</sup> , 2013. Currently, waiting for the trial of the first administrative instance.   | 85,706                                  |
| Tam Linhas Aéreas S.A.      | Internal Revenue Service of Brazil                    | 10880.722.355/2014-52     | On August 19th, 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.          | An administrative objection was filed on September 17 <sup>th</sup> , 2014. Currently awaiting trial.   | 169,038                                 |
| Tam Linhas Aéreas S.A.      | Department of Finance of the State of Sao Paulo       | 4037054-9                 | On September 20th, 2014 we were notified that the Department of Finance of the State of São Paulo filed an infringement lawsuit for non- payment of tax on the circulation of goods and services relating telecommunications services ICMS.                           | An objection protocol was filed. Currently awaiting trial.  | 9,750                                   |
| Tam Linhas Aéreas S.A.      | Labor Court of Porto Alegre.                          | 0001611-93.2012.5.04.0013 | Civil Action of Ministry of Labor that requires the granting of black shoes, belts and socks for workers who wear uniforms.   | Pending the formalization of agreement for the beginning of the concession of shoes to employees. The process will be completed in the coming months.   | 9,991<br>Approximate value / estimated  |
| TAM S.A.                    | Conselho Administrativo de Recursos Fiscais           | 13855.720077/2014-02      | Notice of an alleged infringement presented by Secretaria da Receita Federal do Brasil requiring the payment of IRPJ and CSLL, taxes related to the income earned by TAM on March, 2011, in relation of the reduction of the statute capital of Multiplus S.A.        | On January 12, 2014, it was filed an appeal against the object of the notice of infringement. Currently, the company is waiting for the court judgment regarding the appeal filed in the Conselho Administrativo de Recursos Fiscais. | 128,125                                 |
| Aerolinhas Brasileiras S.A. | Labor Court of Campinas.                              | 0010498-37.2014.5.15.0095 | Lawsuit filed by the National Union of aeronauts, requiring weekly rest payment (DSR) scheduled stopovers, displacement and moral damage.   | Trial in initial stage.   | 19,963<br>Approximate value / estimated |



| <u>Company</u>   | <u>Court</u>                   | <u>Case Number</u>        | <u>Origin</u>  | <u>Stage of trial</u>  | <u>Amounts Committed</u><br>ThUS\$ |
|--|--------------------------------|---------------------------|--|--|------------------------------------|
| Aerolinhas Brasileiras S.A.  | Labor Court of Manaus.         | 0002037-67.2013.5.11.0016 | Lawsuit filed by the Union of Manaus Aeroviaros requiring assignment of hazard to ground workers (AEROVIARIOS).  | Process in the initial phase. The value is in the calculation stage by the external auditor.   | Undetermined                       |
| Aerolinhas Brasileiras S.A.  | Labor Court of Campinas        | 0011014-52.2014.5.15.0129 | Lawsuit filed by the Union of Air Service Workers of Campinas requiring assignment of hazard for ABSA workers.   | Process in the initial phase. The amounts committed are being calculated by external auditor.  | Undetermined                       |
| LATAM Airlines Group S.A., Transporte Aéreo S.A., Lan Cargo S.A., Andes Airport Services S.A., Inversiones LAN S.A., Lantours División Servicios Terrestres S.A., Fast Air Almacenes de Carga S.A. | First Labor Court of Santiago. | S-99-2014                 | Lawsuit filed by the Union of Workers of LAN Airlines S.A. Airport CAMB Pudahuel (Sindicato). Accusation of anti-union practice and declare of a unique employer for labor effects of the defendant. | Judgment on evidence scheduled for January 30th, 2015. In such hearing the trial was finished due to agreement on payment of ThUS\$10. | Undetermined                       |

- Governmental Investigations. The investigation by the authorities of Chile and the United States of America continues, related to payments carried out by LATAM Airlines Group S.A. (before called LAN Airlines S.A.) in 2006-2007, to a consultant that advised it in the resolution of labor matters in Argentina. The Company continues cooperating with the respective authorities in the aforementioned investigation. Presently the Company cannot predict the results in the matter; nor estimate or range the potential losses or risks that may eventually come resulting from the way in which this matter is finally resolved.
- In order to deal with any financial obligations arising from legal proceedings in effect at December 31, 2014, whether civil, tax, or labor, LATAM Airlines Group S.A. and Subsidiaries, has made provisions, which are included in Other non-current provisions that are disclosed in Note 20.
- The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.



NOTE 31 - COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 777 and 787 aircraft, which carry the guarantee of the United States Export-Import Bank, limits have been set on some of the Company's financial indicators on a consolidated basis. Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership and disposal of assets.

Additionally, with respect to various loans signed by its subsidiary Lan Cargo S.A. for the financing of Boeing 767F and 777F aircraft, which carry the guarantee of the United States Export-Import Bank, restrictions have been established to the Company's management and its subsidiary Lan Cargo S.A. in terms of shareholder composition and disposal of assets.

In connection with the financing of spare engines for its Boeing 767, 767F, 777, 777F, which are guaranteed by the Export-Import Bank of the United States, restrictions have been placed on the ownership structure of their guarantors and their legal successor in case of merger.

The Company and its subsidiaries do not maintain financial credit contracts with banks in Chile that indicate some limits on financial indicators of the Company or its subsidiaries.

At December 31, 2014, the Company is in compliance with all indicators detailed above.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

| Lessor  | Aircraft    | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|---|-------------|-------------------------------|-------------------------------|
| ACS Aircraft Finance Bermuda Ltd. - Aircastle | Boeing 737  | —                             | 1                             |
| Airbus Financial Services                     | Airbus A340 | —                             | 3                             |
| Aircraft 76B-26329 Inc.                       | Boeing 767  | 1                             | 1                             |
| Aircraft 76B-27613 Inc.                       | Boeing 767  | —                             | 1                             |
| Aircraft 76B-27615 Inc.                       | Boeing 767  | 1                             | 1                             |
| Aircraft 76B-28206 Inc.                       | Boeing 767  | 1                             | 1                             |
| Aviacion Centaurus, A.I.E                     | Airbus A319 | 3                             | 3                             |
| Aviación Centaurus, A.I.E.                    | Airbus A321 | 1                             | 1                             |
| Aviación Real A.I.E.                          | Airbus A319 | 1                             | 1                             |
| Aviación Real A.I.E.                          | Airbus A320 | 1                             | 1                             |
| Aviación Tritón A.I.E.                        | Airbus A319 | 3                             | 3                             |
| Avolon Aerospace AOE 19 Limited               | Airbus A320 | 1                             | 1                             |
| Avolon Aerospace AOE 20 Limited               | Airbus A320 | 1                             | 1                             |
| Avolon Aerospace AOE 6 Limited                | Airbus A320 | 1                             | 1                             |
| Avolon Aerospace AOE 62 Limited               | Boeing 777  | 1                             | 1                             |
| Avolon Aerospace AOE 63 Limited               | Boeing 787  | 1                             | 1                             |



| Lessors   | Aircraft            | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2013 |
|---|---------------------|-------------------------------|-------------------------------|
| AWAS 4839 Trust                                 | Airbus A320         | 1                             | 1                             |
| AWAS 5125 Trust                                 | Airbus A320         | 1                             | 1                             |
| AWAS 5178 Limited                               | Airbus A320         | 1                             | 1                             |
| AWAS 5234 Trust                                 | Airbus A320         | 1                             | 1                             |
| Baker & Spice Aviation Limited                  | Airbus A320         | 2                             | 2                             |
| BOC Aviation Pte. Ltd.                          | Airbus A320         | 1                             | 1                             |
| CIT Aerospace International                     | Boeing 767          | —                             | 1                             |
| CIT Aerospace International                     | Airbus A319         | —                             | 1                             |
| CIT Aerospace International                     | Airbus A320         | 2                             | 4                             |
| Continuity Air Finance IV B.V                   | Airbus A319         | —                             | 1                             |
| Delaware Trust Company, National Association    | Bombardier Dhc8-200 | 5                             | 7                             |
| Eden Irish Aircr Leasing MSN 1459               | Airbus A320         | 1                             | 1                             |
| GECAS Sverige Aircraft Leasing Worldwide AB     | Airbus A320         | 6                             | 10                            |
| GECAS Sverige Aircraft Leasing Worldwide AB     | Airbus A330         | —                             | 2                             |
| GFL Aircraft Leasing Netherlands B.V.           | Airbus A320         | 1                             | 1                             |
| International Lease Finance Corporation         | Boeing 737          | —                             | 1                             |
| International Lease Finance Corporation         | Boeing 767          | 1                             | 1                             |
| International Lease Finance Corporation         | Airbus A320         | —                             | 1                             |
| KN Operating Limited (NAC)                      | Bombardier Dhc8-400 | —                             | 3                             |
| Magix Airlease limited                          | Airbus A320         | 2                             | —                             |
| MASL Sweden (1) AB                              | Airbus A320         | 1                             | 1                             |
| MASL Sweden (2) AB                              | Airbus A320         | 1                             | 1                             |
| MASL Sweden (7) AB                              | Airbus A320         | 1                             | 1                             |
| MASL Sweden (8) AB                              | Airbus A320         | 1                             | 1                             |
| MCAP Europe Limited - Mitsubishi                | Boeing 737          | —                             | 1                             |
| Orix Aviation Systems Limited                   | Airbus A320         | 2                             | 3                             |
| Pembroke B737-7006 Leasing Limited              | Boeing 737          | —                             | 2                             |
| RBS Aerospace Limited                           | Airbus A320         | 6                             | 6                             |
| SASOF II (J) Aviation Ireland Limited           | Airbus A319         | 1                             | —                             |
| SKY HIGH V LEASING COMPANY LIMITED              | Airbus A320         | 1                             | 1                             |
| Sky High XXIV Leasing Company Limited           | Airbus A320         | 5                             | 3                             |
| Sky High XXV Leasing Company Limited            | Airbus A320         | 2                             | 2                             |
| SMBC Aviation Capital Limited                   | Airbus A320         | 2                             | —                             |
| SMBC Aviation Capital Limited                   | Airbus A321         | 2                             | —                             |
| Sunflower Aircraft Leasing Limited              | Airbus A320         | 2                             | 2                             |
| TC-CIT Aviation Ireland Limited                 | Airbus A320         | 1                             | —                             |
| Volito Aviation August 2007 AB                  | Airbus A320         | 2                             | 2                             |
| Volito Aviation November 2006 AB                | Airbus A320         | 2                             | 2                             |
| Volito Brasilien AB                             | Airbus A319         | —                             | 1                             |
| Volito November 2006 AB                         | Airbus A320         | 2                             | 2                             |
| Wells Fargo Bank North National Association     | Airbus A319         | 3                             | 4                             |
| Wells Fargo Bank North National Association     | Airbus A320         | 2                             | 2                             |
| Wells Fargo Bank Northwest National Association | Airbus A320         | 6                             | 7                             |
| Wells Fargo Bank Northwest National Association | Airbus A330         | 5                             | 10                            |
| Wells Fargo Bank Northwest National Association | Boeing 787          | 3                             | 4                             |
| Wells Fargo Bank Northwest National Association | Boeing 777          | 7                             | 3                             |
| Wells Fargo Bank Northwest National Association | Boeing 787          | 3                             | 1                             |
| Wilmington Trust Company                        | Airbus A319         | 1                             | 1                             |
| Yamasa Singapore Pte. Ltd.                      | Airbus A340         | —                             | 1                             |



|                 |             |                   |                   |
|-----------------|-------------|-------------------|-------------------|
| Zipdell Limited | Airbus A320 | <u>1</u>          | <u>1</u>          |
| <b>Total</b>    |             | <u><u>107</u></u> | <u><u>128</u></u> |

The rentals are shown in results for the period for which they are incurred.

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The minimum future lease payments not yet payable are the following:

|                            | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
|----------------------------|---|---|
| No later than one year     | 511,624                                 | 475,762                                 |
| Between one and five years | 1,202,440                               | 1,101,741                               |
| Over five years            | 441,419                                 | 335,019                                 |
| Total                      | <u>2,155,483</u>                        | <u>1,912,522</u>                        |

The minimum lease payments charged to income are the following:

|                                  | For the periods ended<br>December 31, |                |                |
|----------------------------------|---------------------------------------|----------------|----------------|
|                                  | 2014<br>ThUS\$                        | 2013<br>ThUS\$ | 2012<br>ThUS\$ |
| Minimum operating lease payments | 521,384                               | 441,077        | 310,496        |
| Total                            | <u>521,384</u>                        | <u>441,077</u> | <u>310,496</u> |

In the first quarter of 2013, returned an Airbus A320-200, while during the second quarter of 2013 two Airbus A319-100, one Airbus A320-200 and one Bombardier Dhc8-200 were returned as their leasing contracts had ended. During June 2013 the contracts system applied to ten Airbus A330-200 aircraft were changed from financial leasing to operative leasing, with each aircraft being leased for a period of forty months. During the third quarter of 2013, two Airbus A320-200 aircraft were leased for a period of 8 years each, one Boeing 787-800 aircraft was leased for a period of 12 years and two Boeing 777-300ER aircraft were leased for a period of 5 years each. Moreover, one Airbus A320-200, two Boeing 767-300ER aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, during July of 2013 two Bombardier Dhc8-200 aircraft were acquired on leasing. In the fourth quarter of 2013, three Airbus A320-200 aircraft were leased for a period of eight years each, one Boeing 787-800 aircraft was leased for a period of twelve years. Moreover, two Airbus A320-200, one Airbus A319-100, one Airbus A340-300 and one Boeing 737-700 aircraft were returned.

During the first quarter of 2014, two Airbus A320-200 aircraft were acquired and two Airbus A321-200 aircraft were leased for a period of 8 years each. Moreover, two Boeing 737-700 aircraft, one Boeing B767-300F aircraft, one Boeing 767-300F aircraft, one Airbus A340-300 aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, as a result of its sale and subsequent lease, during March 2014 four Boeing 777-300ER aircraft were added as operative leasing, with each aircraft being leased for periods between four and six years each.



During the second quarter of 2014, were added one Airbus A320-200 aircraft and one Boeing 787-800 aircraft by leasing them for a period of 8 and 12 years, respectively. For other hand, one Bombardier Dhc8-400 aircraft, four Airbus A320-200 aircraft, seven Airbus A330-200 aircraft and three Boeing 737-700 aircraft were returned.

In the third quarter of 2014, were added one Airbus A320-200 aircraft and one Boeing 787-800 aircraft by leasing them for a period of 8 and 12 years, respectively. For other hand, one Bombardier Dhc8-400 aircraft, two Airbus A319-100 aircraft and one Boeing 767-300ER aircraft were returned.

In the fourth quarter of 2014, two Airbus A320-200 aircraft and one Boeing 767-300ER aircraft were returned. For other hand, three A340-300 aircraft and one A319-100 aircraft were bought. Additionally it was reported that the purchase option will be exercised by 2 Bombardier Dhc8-200 aircraft. Therefore, these aircraft were reclassified to the category Property, plant and equipment.

The operating lease agreements signed by the Company and its subsidiaries state that maintenance of the aircraft should be done according to the manufacturer's technical instructions and within the margins agreed in the leasing agreements, a cost that must be assumed by the lessee. The lessee should also contract insurance for each aircraft to cover associated risks and the amounts of these assets. Regarding rental payments, these are unrestricted and may not be netted against other accounts receivable or payable between the lessor and lessee.

At December 31, 2014 the Company has existing letters of credit related to operating leasing as follows:

| Creditor Guarantee                               | Debtor                    | Type                   | Value ThUS\$   | Release date |
|--|---------------------------|------------------------|----------------|--------------|
| AFS Investments 48 LLC.                          | Lan Cargo S.A.            | Two letter of credit   | 3,500          | Apr 25, 2015 |
| GE Capital Aviation Services Limited             | LATAM Airlines Group S.A. | Six letter of credit   | 23,456         | Jun 30, 2015 |
| GE Capital Aviation Services Limited             | Lan Cargo S.A.            | Three letter of credit | 10,435         | Jun 30, 2015 |
| International Lease Finance Corp                 | LATAM Airlines Group S.A. | Four letter of credit  | 1,700          | Oct 13, 2015 |
| ORIX Aviation System Limited                     | LATAM Airlines Group S.A. | One letter of credit   | 3,255          | Jul 31, 2015 |
| TAF Mercury                                      | LATAM Airlines Group S.A. | One letter of credit   | 4,000          | Dec 4, 2015  |
| TAF Venus  | LATAM Airlines Group S.A. | One letter of credit   | 4,000          | Dec 4, 2015  |
| Wells Fargo Bank Northwest, National Association | Lan Cargo S.A.            | Four letter of credit  | 10,060         | Apr 25, 2015 |
| Baker & Spice Aviation Limited                   | Tam Linhas Aéreas S.A.    | One letter of credit   | 19,580         | Apr 13, 2015 |
| Cit Aerospace International                      | Tam Linhas Aéreas S.A.    | Five letter of credit  | 22,995         | Jan 5, 2015  |
| MACQUARIE  | Tam Linhas Aéreas S.A.    | Three letter of credit | 2,124          | May 4, 2015  |
| Royal Bank Of scotland Aerospace                 | Tam Linhas Aéreas S.A.    | One letter of credit   | 8,939          | Jul 13, 2015 |
| SMBC Aviation Capital Ltd.                       | Tam Linhas Aéreas S.A.    | Two letter of credit   | 18,532         | Feb 23, 2015 |
| Wells Fargo Bank Northwest, National Association | Tam Linhas Aéreas S.A.    | Two letter of credit   | 6,000          | Mar 28, 2015 |
| Wilmington                                       | Tam Linhas Aéreas S.A.    | One letter of credit   | 5,738          | Jan 31, 2015 |
|  |                           |                        | <u>144,314</u> |              |



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## (c) Other commitments

At December 31, 2014 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

| Creditor Guarantee                                      | Debtor                               | Type                                | Value<br>ThUS\$ | Release<br>date |
|---|--------------------------------------|-------------------------------------|-----------------|-----------------|
| Aena Aeropuertos S.A.                                   | LATAM Airlines Group S.A.            | Four letter of credit               | 2,373           | Nov 15, 2015    |
| American Alternative Insurance Corporation              | LATAM Airlines Group S.A.            | Four letter of credit               | 3,140           | Apr 5, 2015     |
| BBVA  | LATAM Airlines Group S.A.            | One letter of credit                | 24,315          | Aug 3, 2015     |
| Citibank N.A.   | LATAM Airlines Group S.A.            | One letter of credit                | 6,825           | Dec 20, 2015    |
| Comisión Europea  | LATAM Airlines Group S.A.            | One letter of credit                | 10,254          | Feb 11, 2015    |
| Deutsche Bank A.G.                                      | LATAM Airlines Group S.A.            | Three letter of credit              | 40,000          | Mar 31, 2015    |
| Dirección General de Aeronáutica Civil                  | LATAM Airlines Group S.A.            | Sixty seven letter of credit        | 17,703          | Jan 31, 2015    |
| Dirección Nacional de Aduanas                           | LATAM Airlines Group S.A.            | Three letter of credit              | 1,210           | Jun 28, 2015    |
| Empresa Pública de Hidrocarburos del Ecuador            |                                      |                                     |                 |                 |
| EP Petroecuador   | LATAM Airlines Group S.A.            | One letter of credit                | 5,500           | Jun 18, 2015    |
| Metropolitan Dade County                                | LATAM Airlines Group S.A.            | Five letter of credit               | 1,675           | May 31, 2015    |
| The Royal Bank of Scotland plc                          | LATAM Airlines Group S.A.            | Two letter of credit                | 28,000          | May 20, 2015    |
| Washington International Insurance                      | LATAM Airlines Group S.A.            | Two letter of credit                | 2,100           | Apr 5, 2015     |
| Wells Fargo Bank  | LATAM Airlines Group S.A.            | Four letter of credit               | 5,160           | Mar 13, 2015    |
| Westpac Banking Corporation                             | LATAM Airlines Group S.A.            | One letter of credit                | 1,046           | Apr 4, 2015     |
| 6ª Vara de Execuções Fiscais Federal de Campo Grande/MS | Tam Linhas Aéreas S.A.<br>(Pantanal) | Two insurance policies<br>guarantee | 28,522          | Jan 4, 2016     |
| 8 Vara da Fazenda Pública da Comarca de São Paulo       | Tam Linhas Aéreas S.A.<br>(Pantanal) | One insurance policies<br>guarantee | 13,834          | Apr 12, 2015    |
| Fundação de Proteção e Defesa do Consumidor Procon      | Tam Linhas Aéreas S.A.               | One insurance policies<br>guarantee | 1,651           | May 16, 2016    |
| Vara da Fazenda Pública da Comarca de São Paulo         | Tam Linhas Aéreas S.A.               | One insurance policies<br>guarantee | 2,943           | Mar 29, 2016    |
| Vara De Execuções Fiscais Estaduais de São Paulo        | Tam Linhas Aéreas S.A.               | One insurance policies<br>guarantee | 13,839          | Apr 16, 2015    |
|   |                                      |                                     | <u>210,090</u>  |                 |



NOTE 32 - TRANSACTIONS WITH RELATED PARTIES

(a) Details of transactions with related parties as follows:

| Tax No.      | Related party  | Nature of relationship with related parties | Country of origin | Explanation of other information about related parties | Nature of related parties transactions                               | Currency | Transaction amount with related parties As of December 31, |         |         |
|--------------|--|---|-------------------|--|--|----------|--|---------|---------|
|              |  |   |                   |  |  |          | 2014   | 2013    | 2012    |
|              |  |   |                   |  |  |          | ThUS\$   | ThUS\$  | ThUS\$  |
| 96.810.370-9 | Inversiones Costa Verde Ltda. y CPA.                 | Controlling shareholder                     | Chile             | Investments  | Revenue from services provided                                       | CLP      | 31   | 17      | 11      |
| 96.847.880-K | Lufthansa Lan Technical Training S.A.                | Associate                                   | Chile             | Training center  | Leases as lessor   | CLP      | 209  | 253     | 411     |
|              |  |   |                   |  | Services received  | CLP      | (785)  | (1,186) | (1,101) |
|              |  |   |                   |  | Services received  | US\$     | (743)  | (1,146) | (803)   |
| 78.591.370-1 | Bethia S.A and subsidiaries                          | Other related parties                       | Chile             | Investments  | Leases as lessor   | CLP      | (3)  | (6)     | 741     |
|              |  |   |                   |  | Revenue from services provided                                       | CLP      | 7  | 2,726   | 897     |
|              |  |   |                   |  | Services received  | CLP      | (1,156)  | (883)   | (786)   |
|              |  |   |                   |  | Settlement of Property plant and equipment (1)                       | CLP      | —  | 14,217  | 14,217  |
|              |  |   |                   |  | Commitments made on behalf of the entity                             | CLP      | —  | (84)    | 3       |
| 79.773.440-3 | Transportes San Felipe S.A                           | Other related parties                       | Chile             | Transport  | Revenue from services provided                                       | CLP      | 26   | 17      | —       |
|              |  |   |                   |  | Services received  | CLP      | (70)   | (142)   | (279)   |
|              |  |   |                   |  | Commitments made on behalf of the entity                             | CLP      | —  | (84)    | —       |
| 87.752.000-5 | Granja Marina Tornagaleones S.A.                     | Other related parties                       | Chile             | Pisciculture   | Revenue from services provided                                       | CLP      | 155  | 231     | 243     |
| 96.812.280-0 | San Alberto S.A. and subsidiaries                    | Other related parties                       | Chile             | Investments  | Services received  | US\$     | —  | —       | (29)    |
| 65.216.000-K | Comunidad Mujer                                      | Other related parties                       | Chile             | Promotion and training of women                        | Revenue from services provided                                       | CLP      | 9  | 10      | 13      |
|              |  |   |                   |  | Services received  | CLP      | (11)   | (11)    | (13)    |
| Foreign      | Inversora Aeronáutica Argentina                      | Other related parties                       | Argentina         | Investments  | Revenue from services provided                                       | ARS      | 12   | 9       | —       |
|              |  |   |                   |  | Leases as lessor   | US\$     | (334)  | (358)   | —       |
|              |  |   |                   |  | Leases as lesse  | US\$     | —  | —       | (442)   |
|              |  |   |                   |  | Liabilities settlement on behalf of the entity for the related party | US\$     | —  | —       | 11      |
| Foreign      | Made In Everywhere Repr. Com. Distr. Ltda.           | Other related parties                       | Brazil            | Transport  | Services received  | BRL      | (2)  | —       | (211)   |
| Foreign      | TAM Aviação Executiva e Taxi Aéreo S/A               | Other related parties                       | Brazil            | Transport  | Revenue from services provided                                       | BRL      | —  | 485     | 306     |
|              |  |   |                   |  | Services received  | BRL      | (12)   | —       | —       |
|              |  |   |                   |  | Commitments made on behalf of the entity                             | BRL      | —  | (17)    | 3       |
| Foreign      |  |   |                   |  | Liabilities settlement on behalf of the entity for the related party | BRL      | (119)  | (499)   | 419     |
| Foreign      | Prismah Fidelidade S.A. Jochmann Participacoes Ltda. | Joint Venture                               | Brazil            | Marketing  | Services received  | BRL      | —  | (27)    | —       |
| Foreign      | Tadef-Transporte Administração e Participação Ltda.  | Other related parties                       | Brazil            | Transport  | Services received  | US\$     | —  | —       | (18)    |

On December 28, 2012, Inmobiliaria Aeronáutica S.A. as seller and Sotraser S.A. (Subsidiary of Bethia S.A.) as purchaser, entered into an agreement to purchase the land called “Lot No. 12 of parcellation project Lo Echevers”. The value of the sale amounts to ThUS\$ 14,217. On December 31, 2013, this balance is paid.



The balances of Accounts receivable and accounts payable to related parties are disclosed in Note 9.

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

(b) Compensation of key management

The Company has defined for these purposes that key management personnel are the executives who define the Company’s policies and major guidelines and who directly affect the results of the business, considering the levels of Vice-Presidents, Chief Executives and Directors.

|                       | For the periods ended |               |               |
|-----------------------|-----------------------|---------------|---------------|
|                       | December 31,          |               |               |
|                       | 2014                  | 2013          | 2012          |
|                       | ThUS\$                | ThUS\$        | ThUS\$        |
| Remuneration          | 19,507                | 15,148        | 15,146        |
| Management fees       | 1,213                 | 368           | 653           |
| Non-monetary benefits | 990                   | 565           | 395           |
| Short-term benefits   | —                     | 22,400        | 5,060         |
| Share-based payments  | 16,086                | 17,709        | 1,412         |
| Total                 | <u>37,796</u>         | <u>56,190</u> | <u>22,666</u> |

NOTE 33 - SHARE-BASED PAYMENTS

(a) Compensation plan for increase of capital in LATAM Airlines Group S.A.

Compensation plans implemented by providing options for the subscription and payment of shares that have been granted by LATAM Airlines Group S.A. to employees of the Company and its subsidiaries, are recognized in the financial statements in accordance with the provisions of IFRS 2 “Share-based Payment”, showing the effect of the fair value of the options granted under compensation in linear between the date of grant of such options and the date on which these irrevocable.

(a.1) Compensation plan 2011

At a Special Shareholders Meeting held on December 21, 2011, the Company’s shareholders approved, among other matters, an increase of capital of which 4,800,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, pursuant to Article 24 of the Companies Law. In this compensation plan no member of the controlling group would be benefited. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions



shown in the following schedule of accrual and is related to the permanence condition of the executive as employee of the Company at these dates for the exercise of the options:

| 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   | 4,497,000               |
|            | Share options in agreements of share- based payments, as of December 31, 2013 | <u>4,497,000</u>        |
|            | Share options in agreements of share- based payments, as of January 1, 2014   | 4,497,000               |
|            | Share options granted   | 160,000                 |
|            | Share options cancelled   | <u>(455,000)</u>        |
|            | Share options in agreements of share- based payments, as of December 31, 2014 | <u>4,202,000</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 September 2014 corresponds to ThUS\$ 15,895 (ThUS\$ 17,200 at December 31, 2013).

The input data of option pricing model used for share options granted are as follows:

|                         | Weighted average share price | Exercise price | Expected volatility | Life of option | Dividends expected | Risk-free interest |
|-------------------------|------------------------------|----------------|---------------------|----------------|--------------------|--------------------|
| As of December 31, 2013 | US\$ 23.55                   | US\$24.97      | 61.52%              | 3.6 years      | 0%                 | 0.00550            |
| As of December 31, 2014 | US\$ 15.47                   | US\$18.29      | 34.74%              | 3.6 years      | 0%                 | 0.00696            |

(a.2) Compensation plan 2013

At the Extraordinary Shareholders’ Meeting held on June 11, 2013, the Company’s shareholders approved motions including increasing corporate equity, of which 1,500,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, in conformity with the stipulations established in Article 24 of the Corporations Law. Regard to this compensation plan, not exist yet a defined date for implementation. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the following schedule of accrual and is related to the permanence condition of the executive at these dates for the exercise of the options:

| Percentage | Period  |
|------------|---|
| 100%       | From November 15, 2017 and until June 11, 2018. |



(b) Subsidiaries compensation plans

TAM Linhas Aereas S.A. and Multiplus S.A., both subsidiaries of TAM S.A., have outstanding stock options at December 31, 2014, which amounted to 96,675 shares and 637,400 shares, respectively.

TAM Linhas Aéreas S.A.

| Description               | 4th Grant  | Total  |
|---------------------------|------------|--------|
| Date                      | 05-28-2010 |        |
| Outstanding option number | 96,675     | 96,675 |

Multiplus S.A.

| Description               | 1st Grant  | 3rd Grant  | 4th Grant  | 4nd Extraordinary Grant | Total   |
|---------------------------|------------|------------|------------|-------------------------|---------|
| Date                      | 10-04-2010 | 04-16-2012 | 10-04-2010 | 11-20-2013              |         |
| Outstanding option number | 7,760      | 129,371    | 294,694    | 205,575                 | 637,400 |

The Options of TAM Linhas Aéreas S.A., under the plan's terms, are divided into three equal parts and employees can run a third of its options after three, four and five years respectively, as long as they remain employees of the company. The agreed term of the options is seven years.

For Multiplus S.A., the plan's terms provide that the options granted to the usual prizes are divided into three equal parts and employees may exercise one-third of their two, three and four, options respectively, as long as they keep being employees of the company. The agreed term of the options is seven years after the grant of the option. The first extraordinary granting was divided into two equal parts, and only half of the options may be exercised after three years and half after four years. The second extraordinary granting was also divided into two equal parts, which may be exercised after one and two years respectively.

Both companies have an option that contains a "service condition" in which the exercise of options depends exclusively on the delivery services by employees during a predetermined period. Terminated employees will be required to meet certain preconditions in order to maintain their right to the options.

The acquisition of the share's rights, in both companies is as follows:

| Company                | Number of shares<br>Accrued options | Number of shares<br>Non accrued options |
|------------------------|-------------------------------------|---|
| TAM Linhas Aéreas S.A. | —                                   | 96,675                                  |
| Multiplus S.A.         | —                                   | 637,400                                 |

In accordance with IFRS 2—Share-based payments, the fair value of the option must be recalculated and recorded as a liability of the Company once payment is made in cash (cash-settled). The fair value of these options was calculated using the Black-Scholes method, where the cases were updated with information LATAM Airlines Group S.A. Not exist value recorded in liabilities at December 31, 2014 and in income ThUS\$ 191 (at December 31, 2013 the amount recognized in liabilities was ThUS\$ 1,493 and ThUS\$ 509 in incomes).



NOTE 34 - THE ENVIRONMENT

LATAM Airlines Group S.A. manages environmental issues at the corporate, centralized in Environmental Management. To monitor the company and minimize their impact on the environment is a commitment to the highest level, where continuous improvement and contribute to the solution of the problem of global climate change, generating added value to the company and the region, are the pillars of his administration.

One function of Environmental Management, in conjunction with the various areas of the Company, is to ensure environmental compliance, implementing a management system and environmental programs that meet the increasingly demanding requirements globally; well as continuous improvement programs in their internal processes that generate environmental and economic benefits and to join the currently completed.

The Environment Strategy LATAM Airlines Group S.A. is based on the following objectives:

- Minimize the impact of its operations by using a modern fleet, efficient operational management and continuous incorporation of new technologies.
- Promote the efficient use of resources and minimization of waste in all processes.
- Manage responsibly our carbon footprint by measuring, monitoring and reducing emissions.
- Promote the development and use of alternative energy more efficient and less environmental impact.

For 2014, we have established four priority areas of work to develop:

1. Advance in the implementation of an Environmental Management System;
2. Manage the Carbon Footprint by measuring, external verification and compensation of our emissions by ground operations;
3. Development of environmental projects based on renewable energy.
4. Establishment of corporate strategy to meet the global target of aviation to have a carbon neutral growth by 2020.

Thus, during the first half of the year, we have worked in the following initiatives:

- Advance in the implementation of an Environmental Management System for main operations, with an emphasis on Santiago, Miami (USA) y San Carlos (Brasil). In addition to continuing with the process of certification of IATA Environmental Assessment (IEnvA).
- Preparation of the environmental chapter for reporting sustainability of the Company, to measure progress on environmental issues.
- The preparation of the first report supporting environmental management of the Company.
- Measurement and external verification of the Corporate Carbon Footprint.

As achievement this year, LATAM Airlines Group was selected in the Dow Jones Sustainability index, in global category, emerging as a leader in the global aviation industry its strategy on Climate Change and its efficient operation (Eco-Efficiency).

At December 31, 2014 the Environment Management has spent US\$370,159 (US\$ 478,445 at December 31, 2013 and US\$ 526,074 at December 31, 2012).





NOTE 35 - EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

Subsequent to the closing date of the annual financial statements, at December 31, 2014, has occurred an important variation in the exchange rate R\$/US\$, from R\$ 2.66 per US\$ to R\$ 3.27 per US\$ at March 17, 2015, which represents a 23% depreciation of the Brazilian currency.

At the date of issuance of these financial statements, given the complexity of this matter, the administration has not yet concluded the analysis and determination of the financial effects of this situation.

LATAM Airlines Group S.A. and Subsidiaries' consolidated financial statements as at December 31, 2014, have been approved by the Board of Director's in an extraordinary meeting held on March 17, 2015.

NOTE 36 - CONSOLIDATION SCHEDULE

In accordance with SEC rule SX 3-10 the Company is presenting consolidation schedules as Senior Notes issued by TAM Capital (issuer), a 100% subsidiary of TAM S.A., in 2007 are fully and unconditionally guaranteed by TAM S.A (guarantor) and by TAM Linhas Aéreas (guarantor) which is also a 100% subsidiary of TAM S.A. The consolidation schedules separately present the financial information for LATAM Airlines Group S.A. (parent company), TAM S.A. (guarantor), TAM Linhas Aéreas S.A. (guarantor) and other consolidated subsidiaries of LATAM Airlines Group S.A. (non-guarantors).



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | <u>LATAM S.A.</u><br><u>(parent company)</u> | <u>TAM S.A.</u><br><u>(guarantor)</u> | <u>TAM Capital</u><br><u>(subsidiary issuer)</u> | <u>TAM Linhas</u><br><u>Aéreas S.A.</u><br><u>(guarantor)</u> | <u>Other</u><br><u>(non-guarantor)</u> | <u>Consolidating</u><br><u>adjustments</u> | <u>Consolidated</u> |
|---|--|---------------------------------------|--|---|--|--|---------------------|
|   | As of  | As of                                 | As of  | As of   | As of                                  | As of                                      | As of               |
|   | December 31,                                 | December 31,                          | December 31,                                     | December 31,  | December 31,                           | December 31,                               | December 31,        |
|   | 2014   | 2014                                  | 2014   | 2014  | 2014                                   | 2014                                       | 2014                |
|   | ThUS\$                                       | ThUS\$                                | ThUS\$   | ThUS\$  | ThUS\$                                 | ThUS\$                                     | ThUS\$              |
| <b>Assets</b>   |  |                                       |  |   |  |  |                     |
| <b>Current assets</b>   |  |                                       |  |   |  |  |                     |
| Cash and cash equivalents   | 628,367                                      | 47                                    | 398  | 44,326  | 289,244                                | 27,014                                     | 989,396             |
| Other financial assets  | 135,336                                      | 1,951                                 | —  | 85,376  | 531,958                                | (104,220)                                  | 650,401             |
| Other non-financial assets  | 53,427                                       | 1,055                                 | —  | 129,562   | 88,297                                 | (24,470)                                   | 247,871             |
| Trade and other accounts receivable   | 456,624                                      | 5,732                                 | —  | 562,040   | 360,236                                | (5,795)                                    | 1,378,837           |
| Accounts receivable from related entities   | 184,626                                      | 1,506                                 | —  | 226,225   | 1,140,972                              | (1,553,021)                                | 308                 |
| Inventories   | 153,891                                      | —                                     | —  | 105,315   | 6,833                                  | —  | 266,039             |
| Tax assets  | 20,866                                       | 12,368                                | —  | 26,660  | 45,839                                 | (5,025)                                    | 100,708             |
| Total current assets other than non-current assets (or disposal groups) classified as held for sale | 1,633,137                                    | 22,659                                | 398  | 1,179,504   | 2,463,379                              | (1,665,517)                                | 3,633,560           |
| Non-current assets and disposal groups held for sale  | —  | —                                     | —  | 407   | 657                                    | —  | 1,064               |
| Total current assets  | 1,633,137                                    | 22,659                                | 398  | 1,179,911   | 2,464,036                              | (1,665,517)                                | 3,634,624           |
| <b>Non-current assets</b>   |  |                                       |  |   |  |  |                     |
| Other financial assets  | 48,805                                       | —                                     | —  | 34,366  | 1,815                                  | —  | 84,986              |
| Other non-financial assets  | 121,231                                      | 788                                   | —  | 157,853   | 51,570                                 | 11,371                                     | 342,813             |
| Accounts receivable   | 3,257  | —                                     | —  | 5,761   | 21,447                                 | —  | 30,465              |
| Accounts receivable from related parties  | 479,784                                      | 70                                    | 389,378  | 65,328  | 1,458,330                              | (2,392,890)                                | —                   |
| Equity accounted investments  | 1,581,526                                    | 642,053                               | —  | 285,731   | 423,627                                | (2,932,937)                                | —                   |
| Intangible assets other than goodwill   | 91,638                                       | 14,405                                | —  | 1,277,534   | 449,470                                | 47,032                                     | 1,880,079           |
| Goodwill  | 3,207,664                                    | 47,032                                | —  | —   | 102,861                                | (44,156)                                   | 3,313,401           |
| Property, plant and equipment   | 8,363,122                                    | 34                                    | —  | 1,351,003   | 809,316                                | 249,601                                    | 10,773,076          |
| Current tax assets, long term portion   | —  | —                                     | —  | —   | 17,663                                 | —  | 17,663              |
| Deferred tax assets   | —  | 30,875                                | —  | 366,596   | 97,080                                 | (87,228)                                   | 407,323             |
| Total non-current assets  | 13,897,027                                   | 735,257                               | 389,378  | 3,544,172   | 3,433,179                              | (5,149,207)                                | 16,849,806          |
| Total assets  | 15,530,164                                   | 757,916                               | 389,776  | 4,724,083   | 5,897,215                              | (6,814,724)                                | 20,484,430          |



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | LATAM S.A.<br>(parent company)          | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|---|---|---|---|--|---|---|---|
|   | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$  | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ |
| <b>Liabilities and shareholder's equity</b> |   |   |   |  |   |   |   |
| <b>Current liabilities</b>                  |   |   |   |  |   |   |   |
| Other financial liabilities                 | 1,290,302                               | —                                       | 3,319                                   | 205,763                                  | 125,231                                 | —                                       | 1,624,615                               |
| Trade and other accounts payable            | 463,643                                 | 397                                     | —                                       | 534,957                                  | 491,646                                 | (1,247)                                 | 1,489,396                               |
| Accounts payable to related parties         | 452,756                                 | 279                                     | —                                       | 104,380                                  | 991,944                                 | (1,549,324)                             | 35                                      |
| Other provisions                            | 32                                      | —                                       | —                                       | 11,017                                   | 1,362                                   | —                                       | 12,411                                  |
| Tax liabilities                             | 11,934                                  | —                                       | —                                       | 51                                       | 10,979                                  | (5,075)                                 | 17,889                                  |
| Other non-financial liabilities             | 1,272,521                               | 6,764                                   | —                                       | 798,087                                  | 634,319                                 | (26,305)                                | 2,685,386                               |
| <b>Total current liabilities</b>            | <b>3,491,188</b>                        | <b>7,440</b>                            | <b>3,319</b>                            | <b>1,654,255</b>                         | <b>2,255,481</b>                        | <b>(1,581,951)</b>                      | <b>5,829,732</b>                        |
| <b>Non-current liabilities</b>              |   |   |   |  |   |   |   |
| Other financial liabilities                 | 5,242,620                               | —                                       | 299,098                                 | 668,084                                  | 1,179,210                               | —                                       | 7,389,012                               |
| Accounts payable                            | 37,582                                  | —                                       | —                                       | 492,519                                  | 78,015                                  | (30,662)                                | 577,454                                 |
| Accounts payable to related parties         | 1,139,256                               | 36,742                                  | 69,051                                  | 293,232                                  | 856,727                                 | (2,395,008)                             | —                                       |
| Provision for losses on investments         | 423,358                                 | —                                       | —                                       | —  | 20,524                                  | (443,846)                               | 36                                      |
| Other provisions                            | 14,225                                  | 108                                     | —                                       | 660,336                                  | 28,435                                  | —                                       | 703,104                                 |
| Deferred tax liabilities                    | 452,374                                 | 14,405                                  | —                                       | 352,711                                  | 228,058                                 | 4,346                                   | 1,051,894                               |
| Employee benefits                           | 32,665                                  | —                                       | —                                       | —  | 25,459                                  | 15,978                                  | 74,102                                  |
| Other non-financial liabilities             | 295,000                                 | —                                       | —                                       | 60,379                                   | 22                                      | —                                       | 355,401                                 |
| <b>Total non-current liabilities</b>        | <b>7,637,080</b>                        | <b>51,255</b>                           | <b>368,149</b>                          | <b>2,527,261</b>                         | <b>2,416,450</b>                        | <b>(2,849,192)</b>                      | <b>10,151,003</b>                       |
| <b>Total liabilities</b>                    | <b>11,128,268</b>                       | <b>58,695</b>                           | <b>371,468</b>                          | <b>4,181,516</b>                         | <b>4,671,931</b>                        | <b>(4,431,143)</b>                      | <b>15,980,735</b>                       |
| <b>Equity</b>                               |   |   |   |  |   |   |   |
| Share capital                               | 2,545,705                               | 1,895,913                               | 163,359                                 | 2,008,303                                | 847,890                                 | (4,915,465)                             | 2,545,705                               |
| Retained earnings                           | 536,190                                 | (1,651,990)                             | (145,051)                               | (1,285,733)                              | (275,294)                               | 3,358,068                               | 536,190                                 |
| Share premium                               | —                                       | 28,216                                  | —                                       | —  | 457,897                                 | (486,113)                               | —                                       |
| Treasury shares                             | (178)                                   | —                                       | —                                       | —  | —                                       | —                                       | (178)                                   |
| Other reserves                              | 1,320,179                               | 427,082                                 | —                                       | (180,003)                                | 194,791                                 | (441,870)                               | 1,320,179                               |
| Parent's ownership interest                 | 4,401,896                               | 699,221                                 | 18,308                                  | 542,567                                  | 1,225,284                               | (2,485,380)                             | 4,401,896                               |
| Non-controlling interest                    | —                                       | —                                       | —                                       | —  | —                                       | 101,799                                 | 101,799                                 |
| <b>Total non-current liabilities</b>        | <b>4,401,896</b>                        | <b>699,221</b>                          | <b>18,308</b>                           | <b>542,567</b>                           | <b>1,225,284</b>                        | <b>(2,383,581)</b>                      | <b>4,503,695</b>                        |
| <b>Total liabilities</b>                    | <b>15,530,164</b>                       | <b>757,916</b>                          | <b>389,776</b>                          | <b>4,724,083</b>                         | <b>5,897,215</b>                        | <b>(6,814,724)</b>                      | <b>20,484,4310</b>                      |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | LATAM S.A.<br>(parent company) | TAM S.A.<br>(guarantor)       | TAM Capital<br>(subsidiary issuer) | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)      | Consolidating<br>adjustments  | Consolidated                  |
|---|--------------------------------|-------------------------------|------------------------------------|--|-------------------------------|-------------------------------|-------------------------------|
|   | As of<br>December 31,<br>2013  | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2013      | As of<br>December 31,<br>2013            | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2013 | As of<br>December 31,<br>2013 |
|   | ThUS\$                         | ThUS\$                        | ThUS\$                             | ThUS\$                                   | ThUS\$                        | ThUS\$                        | ThUS\$                        |
| <b>Assets</b>   |                                |                               |                                    |  |                               |                               |                               |
| <b>Current assets</b>   |                                |                               |                                    |  |                               |                               |                               |
| Cash and cash equivalents   | 1,368,719                      | 108                           | 88                                 | 122,104                                  | 325,719                       | 168,165                       | 1,984,903                     |
| Other financial assets  | 106,020                        | 2,179                         | —                                  | 198,268                                  | 1,283,402                     | (879,925)                     | 709,944                       |
| Other non-financial assets  | 48,556                         | 189                           | —                                  | 165,578                                  | 54,547                        | 66,747                        | 335,617                       |
| Trade and other accounts receivable   | 437,232                        | 6,468                         | —                                  | 859,524                                  | 357,886                       | (28,016)                      | 1,633,094                     |
| Accounts receivable from related entities   | 301,283                        | 1,708                         | —                                  | 237,480                                  | 1,112,530                     | (1,652,373)                   | 628                           |
| Inventories   | 124,877                        | —                             | —                                  | 97,885                                   | 8,266                         | —                             | 231,028                       |
| Tax assets  | 14,017                         | 13,989                        | —                                  | 60,013                                   | 77,512                        | (83,641)                      | 81,890                        |
| Total current assets other than non-current assets (or disposal groups) classified as held for sale | 2,400,704                      | 24,641                        | 88                                 | 1,740,852                                | 3,219,862                     | (2,409,043)                   | 4,977,104                     |
| Non-current assets and disposal groups held for sale  | 16                             | —                             | —                                  | 1,772                                    | 657                           | —                             | 2,445                         |
| Total current assets  | 2,400,720                      | 24,641                        | 88                                 | 1,742,624                                | 3,220,519                     | (2,409,043)                   | 4,979,549                     |
| <b>Non-current assets</b>   |                                |                               |                                    |  |                               |                               |                               |
| Other financial assets  | 15,533                         | —                             | —                                  | 45,559                                   | 4,197                         | —                             | 65,289                        |
| Other non-financial assets  | 70,574                         | 477                           | —                                  | 147,837                                  | 6,714                         | 46,674                        | 272,276                       |
| Accounts receivable   | 5,510                          | —                             | —                                  | 5,863                                    | 89,402                        | —                             | 100,775                       |
| Accounts receivable from related parties  | 336,204                        | 78                            | 388,871                            | 113,631                                  | 1,646,732                     | (2,485,516)                   | —                             |
| Equity accounted investments  | 1,324,427                      | 411,955                       | —                                  | 327,043                                  | 595,829                       | (2,652,658)                   | 6,596                         |
| Intangible assets other than goodwill   | 91,124                         | 16,333                        | —                                  | 1,439,241                                | 493,282                       | 53,328                        | 2,093,308                     |
| Goodwill  | 3,602,159                      | 53,328                        | —                                  | —  | 122,571                       | (50,453)                      | 3,727,605                     |
| Property, plant and equipment   | 7,599,227                      | 44                            | —                                  | 2,661,177                                | 629,873                       | 92,465                        | 10,982,786                    |
| Current tax assets, long term portion   | —                              | —                             | —                                  | —  | 46,367                        | (46,367)                      | —                             |
| Deferred tax assets   | —                              | 34,074                        | —                                  | 421,554                                  | 140,030                       | (192,696)                     | 402,962                       |
| Total non-current assets  | 13,044,758                     | 516,289                       | 388,871                            | 5,161,905                                | 3,774,997                     | (5,235,223)                   | 17,651,597                    |
| Total assets  | 15,445,478                     | 540,930                       | 388,959                            | 6,904,529                                | 6,995,516                     | (7,644,266)                   | 22,631,146                    |



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | LATAM S.A.<br>(parent company)          | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|---|---|---|---|--|---|---|---|
|   | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$  | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
| <b>Liabilities and shareholder's equity</b> |   |   |   |  |   |   |   |
| <b>Current liabilities</b>                  |   |   |   |  |   |   |   |
| Other financial liabilities                 | 1,101,396                               | —                                       | 3,318                                   | 819,320                                  | 115,753                                 | —                                       | 2,039,787                               |
| Trade and other accounts payable            | 319,004                                 | 3,898                                   | —                                       | 724,311                                  | 546,130                                 | (35,607)                                | 1,557,736                               |
| Accounts payable to related parties         | 387,543                                 | 305                                     | —                                       | 289,053                                  | 974,140                                 | (1,650,536)                             | 505                                     |
| Other provisions                            | 6,807                                   | —                                       | —                                       | 19,664                                   | 1,385                                   | —                                       | 27,856                                  |
| Tax liabilities                             | 3,939                                   | 6,680                                   | —                                       | 52,402                                   | 31,559                                  | (82,997)                                | 11,583                                  |
| Other non-financial liabilities             | 1,249,124                               | 369                                     | —                                       | 894,099                                  | 673,173                                 | 54,875                                  | 2,871,640                               |
| <b>Total current liabilities</b>            | <b>3,067,813</b>                        | <b>11,252</b>                           | <b>3,318</b>                            | <b>2,798,849</b>                         | <b>2,342,140</b>                        | <b>(1,714,265)</b>                      | <b>6,509,107</b>                        |
| <b>Non-current liabilities</b>              |   |   |   |  |   |   |   |
| Other financial liabilities                 | 5,039,852                               | —                                       | 298,422                                 | 1,408,863                                | 1,112,848                               | —                                       | 7,859,985                               |
| Accounts payable                            | 46,647                                  | —                                       | —                                       | 816,898                                  | 81,089                                  | (21,747)                                | 922,887                                 |
| Accounts payable to related parties         | 1,306,254                               | 85,202                                  | 57,608                                  | 294,758                                  | 743,271                                 | (2,487,093)                             | —                                       |
| Provision for losses on investments         | 246,981                                 | —                                       | —                                       | —  | 21,414                                  | (268,359)                               | 36                                      |
| Other provisions                            | 15,529                                  | 123                                     | —                                       | 1,017,362                                | 89,197                                  | —                                       | 1,122,211                               |
| Deferred tax liabilities                    | 471,308                                 | 16,333                                  | —                                       | 205,397                                  | 230,911                                 | (156,721)                               | 767,228                                 |
| Employee benefits                           | 12,273                                  | —                                       | —                                       | —  | 15,276                                  | 18,117                                  | 45,666                                  |
| Other non-financial liabilities             | —                                       | —                                       | —                                       | 77,317                                   | 250                                     | —                                       | 77,567                                  |
| <b>Total non-current liabilities</b>        | <b>7,138,844</b>                        | <b>101,658</b>                          | <b>356,030</b>                          | <b>3,820,595</b>                         | <b>2,294,256</b>                        | <b>(2,915,803)</b>                      | <b>10,795,580</b>                       |
| <b>Total liabilities</b>                    | <b>10,206,657</b>                       | <b>112,910</b>                          | <b>359,348</b>                          | <b>6,619,444</b>                         | <b>4,636,396</b>                        | <b>(4,630,068)</b>                      | <b>17,304,687</b>                       |
| <b>Equity</b>                               |   |   |   |  |   |   |   |
| Share capital                               | 2,389,384                               | 1,901,275                               | 185,228                                 | 1,979,282                                | 1,458,941                               | (5,524,726)                             | 2,389,384                               |
| Retained earnings                           | 795,303                                 | (2,019,778)                             | (155,617)                               | (1,836,203)                              | 120,241                                 | 3,891,357                               | 795,303                                 |
| Share premium                               | —                                       | 31,993                                  | —                                       | —  | 432,880                                 | (464,873)                               | —                                       |
| Treasury shares                             | (178)                                   | —                                       | —                                       | —  | —                                       | —                                       | (178)                                   |
| Other reserves                              | 2,054,312                               | 514,530                                 | —                                       | 142,006                                  | 347,058                                 | (1,003,594)                             | 2,054,312                               |
| Parent's ownership interest                 | 5,238,821                               | 428,020                                 | 29,611                                  | 285,085                                  | 2,359,120                               | (3,101,836)                             | 5,238,821                               |
| Non-controlling interest                    | —                                       | —                                       | —                                       | —  | —                                       | 87,638                                  | 87,638                                  |
| <b>Total non-current liabilities</b>        | <b>5,238,821</b>                        | <b>428,020</b>                          | <b>29,611</b>                           | <b>285,085</b>                           | <b>2,359,120</b>                        | <b>(3,014,198)</b>                      | <b>5,326,459</b>                        |
| <b>Total liabilities</b>                    | <b>15,445,478</b>                       | <b>540,930</b>                          | <b>388,959</b>                          | <b>6,904,529</b>                         | <b>6,995,516</b>                        | <b>(7,644,266)</b>                      | <b>22,631,146</b>                       |



**CONSOLIDATED STATEMENT OF INCOME BY FUNCTION**

|  | LATAM S.A.<br>(parent company)          | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|--|---|---|---|--|---|---|---|
|  | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$  | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$ |
| Revenue  | 3,055,416                               | —                                       | —                                       | 6,391,949                                | 3,564,135                               | (917,999)                               | 12,093,501                              |
| Cost of sales  | (3,075,475)                             | (408)                                   | —                                       | (5,202,839)                              | (3,450,252)                             | 2,104,473                               | (9,624,501)                             |
| Gross margin   | (20,059)                                | (408)                                   | —                                       | 1,189,110                                | 113,883                                 | 1,186,474                               | 2,469,000                               |
| Other income   | 1,014,024                               | —                                       | —                                       | 20,891                                   | 1,253,142                               | (1,910,412)                             | 377,645                                 |
| Distribution costs   | (318,825)                               | —                                       | —                                       | (397,445)                                | (365,581)                               | 124,779                                 | (957,072)                               |
| Administrative expenses  | (350,817)                               | (3,423)                                 | —                                       | (452,014)                                | (850,026)                               | 675,620                                 | (980,660)                               |
| Other expenses   | (197,055)                               | (1,126)                                 | (9)                                     | (110,890)                                | (122,798)                               | 30,857                                  | (401,021)                               |
| Other gains/(losses)   | (71,175)                                | (170)                                   | —                                       | 24,828                                   | (122,589)                               | 202,630                                 | 33,524                                  |
| Gains (losses) from operating activities                               | 56,093                                  | (5,127)                                 | (9)                                     | 274,480                                  | (93,969)                                | 309,948                                 | 541,416                                 |
| Financial income   | 6,353                                   | (732)                                   | 13,789                                  | 46,414                                   | 134,249                                 | (109,573)                               | 90,500                                  |
| Financial costs  | (297,138)                               | (581)                                   | (25,083)                                | (156,890)                                | (106,994)                               | 156,652                                 | (430,034)                               |
| Equity accounted investments   | 86,715                                  | 179,647                                 | —                                       | (7,530)                                  | (4,280)                                 | (261,007)                               | (6,455)                                 |
| Revenue and losses from associated companies                           | —                                       | —                                       | —                                       | —  | —                                       | —                                       | —                                       |
| Exchange differences   | (88,909)                                | 339                                     | 2,198                                   | (81,447)                                 | 35,754                                  | 1,864                                   | (130,201)                               |
| Resut for readjustable units   | —                                       | —                                       | —                                       | —  | 7                                       | —                                       | 7                                       |
| Income / (loss) before taxes   | (236,886)                               | 173,546                                 | (9,105)                                 | 75,027                                   | (35,233)                                | 97,884                                  | 65,233                                  |
| Income tax expense / benefit   | (23,099)                                | 1,140                                   | —                                       | (33,461)                                 | (105,194)                               | (131,790)                               | (292,404)                               |
| <b>NET INCOME / (LOSS) FOR THE YEAR</b>                                | <b>(259,985)</b>                        | <b>174,686</b>                          | <b>(9,105)</b>                          | <b>41,566</b>                            | <b>(140,427)</b>                        | <b>(33,906)</b>                         | <b>(227,171)</b>                        |
| Income / (loss) attributable to owners of the parent                   | (259,985)                               | 174,686                                 | (9,105)                                 | 41,566                                   | (140,427)                               | (66,720)                                | (259,985)                               |
| Income / (loss) attributable to non-controlling                        | —                                       | —                                       | —                                       | —  | —                                       | 32,814                                  | 32,814                                  |
| <b>NET INCOME / (LOSS)</b>   | <b>(259,985)</b>                        | <b>174,686</b>                          | <b>(9,105)</b>                          | <b>41,566</b>                            | <b>(140,427)</b>                        | <b>(33,906)</b>                         | <b>(227,171)</b>                        |
| Total comprehensive income / (loss)                                    | (980,697)                               | 93,514                                  | (9,105)                                 | 101,097                                  | (269,379)                               | 70,947                                  | (993,623)                               |
| Comprehensive income / (loss) attributable to owners of the parent     | (980,697)                               | 93,514                                  | (9,105)                                 | 101,097                                  | (269,379)                               | 83,874                                  | (980,696)                               |
| Comprehensive income / (loss) attributable to non-controlling interest | —                                       | —                                       | —                                       | —  | —                                       | (12,927)                                | (12,927)                                |
| <b>Total comprehensive income / (loss)</b>                             | <b>(980,697)</b>                        | <b>93,514</b>                           | <b>(9,105)</b>                          | <b>101,097</b>                           | <b>(269,379)</b>                        | <b>70,947</b>                           | <b>(993,623)</b>                        |



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CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

|  | LATAM S.A.<br>(parent company)          | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|--|---|---|---|--|---|---|---|
|  | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$  | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
| Revenue  | 3,293,992                               | —                                       | —                                       | 6,608,718                                | 3,853,047                               | (831,220)                               | 12,924,537                              |
| Cost of sales  | (2,945,869)                             | (3,957)                                 | —                                       | (5,370,821)                              | (3,493,775)                             | 1,760,258                               | (10,054,164)                            |
| Gross margin   | 348,123                                 | (3,957)                                 | —                                       | 1,237,897                                | 359,272                                 | 929,038                                 | 2,870,373                               |
| Other income   | 900,146                                 | —                                       | —                                       | 41,769                                   | 1,249,990                               | (1,850,340)                             | 341,565                                 |
| Distribution costs   | (328,116)                               | —                                       | —                                       | (438,251)                                | (389,931)                               | 130,402                                 | (1,025,896)                             |
| Administrative expenses  | (297,140)                               | (19,015)                                | —                                       | (605,346)                                | (917,953)                               | 703,339                                 | (1,136,115)                             |
| Other expenses   | (173,866)                               | (7,634)                                 | (27)                                    | (93,314)                                 | (142,092)                               | 8,230                                   | (408,703)                               |
| Other gains/(losses)   | (42,122)                                | (1,216)                                 | —                                       | (180,872)                                | (21,810)                                | 190,610                                 | (55,410)                                |
| Gains (losses) from<br>operating activities                                      | 407,025                                 | (31,822)                                | (27)                                    | (38,117)                                 | 137,476                                 | 111,279                                 | 585,814                                 |
| Financial income   | 1,966                                   | 1,668                                   | 7,150                                   | 38,284                                   | 91,106                                  | (67,346)                                | 72,828                                  |
| Financial costs  | (243,084)                               | (449)                                   | (23,409)                                | (142,500)                                | (118,613)                               | 65,531                                  | (462,524)                               |
| Equity accounted<br>investments  | (358,929)                               | (430,613)                               | —                                       | 48,226                                   | —                                       | 741,316                                 | —                                       |
| Revenue and losses from<br>associated companies                                  | (8,229)                                 | —                                       | —                                       | —  | (3,599)                                 | 13,782                                  | 1,954                                   |
| Exchange differences   | (56,159)                                | 88                                      | (5,006)                                 | (421,117)                                | 19                                      | 1                                       | (482,174)                               |
| Resut for readjustable<br>units  | 21                                      | —                                       | —                                       | —  | 193                                     | —                                       | 214                                     |
| Income / (loss)<br>before taxes  | (257,389)                               | (461,128)                               | (21,292)                                | (515,224)                                | 106,582                                 | 864,563                                 | (283,888)                               |
| Income tax<br>expense / benefit  | (23,725)                                | 2,689                                   | —                                       | 105,903                                  | (35,786)                                | (29,012)                                | 20,069                                  |
| NET INCOME/ (LOSS)<br>FOR THE YEAR   | (281,114)                               | (458,439)                               | (21,292)                                | (409,321)                                | 70,796                                  | 835,551                                 | (263,819)                               |
| Income / (loss)<br>attributable to owners<br>of the parent                       | (281,114)                               | (458,439)                               | (21,292)                                | (409,321)                                | 70,796                                  | 818,256                                 | (281,114)                               |
| Income / (loss)<br>attributable to non-<br>controlling                           | —                                       | —                                       | —                                       | —  | —                                       | 17,295                                  | 17,295                                  |
| NET INCOME (LOSS)  | (281,114)                               | (458,439)                               | (21,292)                                | (409,321)                                | 70,796                                  | 835,551                                 | (263,819)                               |
| Total comprehensive<br>income / (loss)   | (768,457)                               | (446,447)                               | (21,292)                                | (398,419)                                | (14,050)                                | 863,809                                 | (784,856)                               |
| Comprehensive<br>income / (loss)<br>attributable to owners<br>of the parent      | (768,457)                               | (446,447)                               | (21,292)                                | (398,419)                                | (14,050)                                | 880,208                                 | (768,457)                               |
| Comprehensive<br>income / (loss)<br>attributable to non-<br>controlling interest | —                                       | —                                       | —                                       | —  | —                                       | (16,399)                                | (16,399)                                |
| Total comprehensive<br>income / (loss)   | (768,457)                               | (446,447)                               | (21,292)                                | (398,419)                                | (14,050)                                | 863,809                                 | (784,856)                               |



CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

|  | LATAM S.A.<br>(parent company)          | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|--|---|---|---|--|---|---|---|
|  | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$  | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ |
| Revenue  | 3,209,219                               | —                                       | —                                       | 3,539,002                                | 3,592,188                               | (630,037)                               | 9,710,372                               |
| Cost of sales  | (2,767,417)                             | 14                                      | —                                       | (2,967,003)                              | (3,138,077)                             | 1,238,030                               | (7,634,453)                             |
| Gross margin   | 441,802                                 | 14                                      | —                                       | 571,999                                  | 454,111                                 | 607,993                                 | 2,075,919                               |
| Other income   | 654,901                                 | —                                       | —                                       | 18,560                                   | 621,300                                 | (1,074,605)                             | 220,156                                 |
| Distribution costs   | (345,730)                               | —                                       | —                                       | (221,468)                                | (338,137)                               | 101,716                                 | (803,619)                               |
| Administrative expenses  | (266,781)                               | (26,300)                                | —                                       | (412,278)                                | (595,504)                               | 412,209                                 | (888,654)                               |
| Other expenses   | (85,788)                                | (1,095)                                 | (3)                                     | (46,967)                                 | (126,532)                               | (51,368)                                | (311,753)                               |
| Other gains/(losses)   | (27,026)                                | 9                                       | —                                       | 9,938                                    | (32,713)                                | 3,961                                   | (45,831)                                |
| Gains (losses) from<br>operating activities                                  | 371,378                                 | (27,372)                                | (3)                                     | (80,216)                                 | (17,475)                                | (94)                                    | 246,218                                 |
| Financial income   | 16,144                                  | 1,939                                   | 510                                     | 34,977                                   | 34,258                                  | (10,339)                                | 77,489                                  |
| Financial costs  | (128,586)                               | (245)                                   | (11,401)                                | (88,609)                                 | (76,522)                                | 10,765                                  | (294,598)                               |
| Equity accounted<br>investments  | (177,545)                               | (67,312)                                | —                                       | 22,719                                   | —                                       | 222,138                                 | —                                       |
| Revenue and losses from<br>associated companies                              | 972                                     | —                                       | —                                       | —  | —                                       | —                                       | 972                                     |
| Exchange differences   | 11,233                                  | —                                       | (1,259)                                 | 50,671                                   | 6,040                                   | —                                       | 66,685                                  |
| Resut for readjustable<br>units  | 15                                      | —                                       | —                                       | —  | 294                                     | (331)                                   | (22)                                    |
| Income / (loss)<br>before taxes  | 93,611                                  | (92,990)                                | (12,153)                                | (60,458)                                 | (53,405)                                | 222,045                                 | 96,744                                  |
| Income tax<br>expense / benefit  | (112,687)                               | 17,796                                  | —                                       | 5,299                                    | (12,794)                                | —                                       | (102,386)                               |
| <b>NET INCOME FOR THE<br/>YEAR</b>   | <b>(19,076)</b>                         | <b>(75,194)</b>                         | <b>(12,153)</b>                         | <b>(55,159)</b>                          | <b>(66,199)</b>                         | <b>222,045</b>                          | <b>(5,642)</b>                          |
| Income / (loss)<br>attributable to owners<br>of the parent                   | (19,076)                                | (75,194)                                | (12,153)                                | (55,159)                                 | (66,199)                                | 208,705                                 | (19,076)                                |
| Income / (loss)<br>attributable to non-<br>controlling                       | —                                       | —                                       | —                                       | —  | —                                       | 13,434                                  | 13,434                                  |
| <b>NET INCOME / (LOSS)</b>   | <b>(19,076)</b>                         | <b>(75,194)</b>                         | <b>(12,153)</b>                         | <b>(55,159)</b>                          | <b>(66,199)</b>                         | <b>222,139</b>                          | <b>(5,642)</b>                          |
| Total comprehensive<br>income / (loss)                                       | (2,359)                                 | (87,172)                                | (12,154)                                | (61,166)                                 | (68,590)                                | 237,102                                 | 5,661                                   |
| Comprehensive income /<br>(loss) attributable to<br>owners of the parent     | (2,359)                                 | (87,172)                                | (12,154)                                | (61,166)                                 | (68,590)                                | 229,082                                 | (2,359)                                 |
| Comprehensive income /<br>(loss) attributable to<br>non-controlling interest | —                                       | —                                       | —                                       | —  | —                                       | 8,020                                   | 8,020                                   |
| <b>Total comprehensive<br/>income / (loss)</b>                               | <b>(2,359)</b>                          | <b>(87,172)</b>                         | <b>(12,154)</b>                         | <b>(61,166)</b>                          | <b>(68,590)</b>                         | <b>237,102</b>                          | <b>5,661</b>                            |



CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

|  | <u>LATAM S.A.</u><br><u>(parent company)</u> | <u>TAM S.A.</u><br><u>(guarantor)</u>   | <u>TAM Capital</u><br><u>(subsidiary issuer)</u> | <u>TAM Linhas</u><br><u>Aéreas S.A.</u><br><u>(guarantor)</u> | <u>Other</u><br><u>(non-guarantor)</u>  | <u>Consolidating</u><br><u>adjustments</u> | <u>Consolidated</u>                     |
|--|--|---|--|---|---|--|---|
|  | As of<br>December 31,<br>2014<br>ThUS\$      | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$          | As of<br>December 31,<br>2014<br>ThUS\$                       | As of<br>December 31,<br>2014<br>ThUS\$ | As of<br>December 31,<br>2014<br>ThUS\$    | As of<br>December 31,<br>2014<br>ThUS\$ |
| <b>Cash flows from operating activities</b>                                    |  |   |  |   |   |  |   |
| Receipts from sales of goods and services                                      | 5,959,058                                    | (45,594)                                | —  | 6,147,010   | 6,256,083                               | (4,948,719)                                | 13,367,838                              |
| Other receipts from operating activities                                       | 89,995                                       | —                                       | —  | —   | 7,063                                   | (127)                                      | 96,931                                  |
| Payments to suppliers for the supply of goods and services                     | (4,221,845)                                  | (3,328)                                 | —  | (4,715,944)   | (5,348,418)                             | 5,466,528                                  | (8,823,007)                             |
| Payments to and on behalf of employees   | (461,680)                                    | (2,857)                                 | —  | (1,225,709)   | (703,860)                               | (39,546)                                   | (2,433,652)                             |
| Other payments for operating activities  | (150,833)                                    | —                                       | —  | 6,791   | (48,934)                                | (335,238)                                  | (528,214)                               |
| Dividends paid   | —  | —                                       | —  | —   | —                                       | —  | —                                       |
| Dividends received   | —  | —                                       | —  | —   | —                                       | —  | —                                       |
| Interest paid  | —  | —                                       | (19,672)   | —   | —                                       | 19,672                                     | —                                       |
| Interest received  | 8,980  | —                                       | 13,789   | —   | 27,785                                  | (38,965)                                   | 11,589                                  |
| Income taxes refunded (paid)   | (6,909)                                      | (5,058)                                 | —  | 614   | (84,254)                                | (12,782)                                   | (108,389)                               |
| Other inflows (outflows) of cash   | (126,540)                                    | 4,327                                   | (9)  | 15,146  | (5,507)                                 | (139,074)                                  | (251,657)                               |
| Net cash flows from operating activities                                       | 1,090,226                                    | (52,510)                                | (5,892)  | 227,908   | 99,958                                  | (28,251)                                   | 1,331,439                               |
| <b>Cash flows from (used in) investing activities</b>                          |  |   |  |   |   |  |   |
| <b>Cash flows from losing control of subsidiaries or other businesses</b>      |  |   |  |   |   |  |   |
| Cash flows used to obtain control of subsidiaries or other businesses          | (250,350)                                    | (118,120)                               | —  | 33,782  | (154,930)                               | 490,136                                    | 518                                     |
| <b>Cash flows used in the purchase of non-controlling</b>                      |  |   |  |   |   |  |   |
| Other cash receipts from sales of equity or debt instruments of other entities | —  | 228                                     | —  | 80,405  | 342,908                                 | 100,829                                    | 524,370                                 |
| Other payments to acquire equity or debt instruments of other entities         | (36,477)                                     | —                                       | —  | —   | (138,920)                               | (299,259)                                  | (474,656)                               |
| Loans to related parties   | (126,630)                                    | —                                       | 12,948   | —   | (55,146)                                | 168,828                                    | —                                       |
| Proceeds from sale of property, plant and equipment                            | —  | —                                       | —  | 186,015   | 562,272                                 | (184,021)                                  | 564,266                                 |
| Purchases of property, plant and equipment                                     | (1,269,024)                                  | —                                       | —  | (255,636)   | (224,816)                               | 309,031                                    | (1,440,445)                             |
| Amounts raised from sale of intangible assets                                  | —  | 8,224                                   | —  | —   | —                                       | (8,224)                                    | —                                       |
| Purchases of intangible assets   | —  | —                                       | —  | (30,933)  | (23,831)                                | (995)                                      | (55,759)                                |
| Proceeds from other long-term assets   | —  | —                                       | —  | —   | —                                       | —  | —                                       |
| Other cash receipts from related parties                                       | —  | —                                       | —  | (75,082)  | 22,380                                  | 52,702                                     | —                                       |
| Income taxes refunded (paid)   | —  | —                                       | —  | —   | —                                       | —  | —                                       |
| Dividends received   | 9,685  | —                                       | —  | —   | 752                                     | (10,437)                                   | —                                       |
| Other inflows (outflows) of cash   | —  | —                                       | —  | (397)   | (15,527)                                | (1,475)                                    | (17,399)                                |
| Net cash flows from investing activities                                       | (1,672,796)                                  | (109,668)                               | 12,948   | (61,846)  | 318,166                                 | 614,091                                    | (899,105)                               |
| <b>Cash flows from (used in) financing activities</b>                          |  |   |  |   |   |  |   |
| Proceeds from issue of shares  | 156,321                                      | 219,110                                 | —  | 262,702   | 156,402                                 | (638,214)                                  | 156,321                                 |
| Payments to acquire or redeem the entity's shares                              | —  | —                                       | —  | —   | —                                       | 4,661                                      | 4,661                                   |
| Proceeds from long term  | —  | —                                       | —  | —   | —                                       | —  | —                                       |



|   |             |          |         |           |           |           |             |
|---|-------------|----------|---------|-----------|-----------|-----------|-------------|
| loans   | 706,661     | 4,162    | —       | 89,598    | 336,159   | (93,760)  | 1,042,820   |
| Proceeds from short term loans  | 597,000     | —        | —       | 84,944    | 6,151     | (84,944)  | 603,151     |
| Loans from related parties  | —           | —        | —       | —         | 169,746   | (169,746) | —           |
| Repayment of loans  | (1,147,651) | —        | —       | (419,887) | (706,576) | (41,006)  | (2,315,120) |
| Payments of finance lease liabilities   | (131,484)   | —        | —       | (181,779) | (56,262)  | (24,606)  | (394,131)   |
| Repayment of loans to related parties   | (9,310)     | —        | —       | —         | (3,483)   | 12,793    | —           |
| Dividends Paid  | —           | —        | —       | —         | (13,983)  | (21,379)  | (35,362)    |
| Interest paid   | (246,598)   | (581)    | (4,807) | (49,536)  | (168,938) | 101,671   | (368,789)   |
| Other inflows (outflows) of cash  | (37,641)    | —        | —       | —         | —         | 23,864    | (13,777)    |
| Net cash flows from (used in) financing activities                                    | (112,702)   | 222,691  | (4,807) | (213,958) | (280,784) | (930,666) | (1,320,226) |
| Net increase (decrease) in , cash and cash equivalents before effect of exchange rate | (695,272)   | 60,513   | 2,249   | (47,896)  | 137,340   | (344,826) | (887,892)   |
| Effects of variation in the exchange rate on cash and cash equivalents                | (45,080)    | (60,573) | (1,941) | (29,882)  | (173,817) | 203,678   | (107,615)   |
| Net increase (decrease) in cash and cash equivalents                                  | (740,352)   | (60)     | 308     | (77,778)  | (36,477)  | (141,148) | (995,507)   |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                                      | 1,368,719   | 103      | 89      | 122,104   | 325,718   | 168,170   | 1,984,903   |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | 628,367     | 43       | 397     | 44,326    | 289,241   | 27,022    | 989,396     |

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

|  | LATAM S.A.<br>(parent company)          | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|--|---|---|---|--|---|---|---|
|  | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$  | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ | As of<br>December 31,<br>2013<br>ThUS\$ |
| <b>Cash flows from operating activities</b>                                    |   |   |   |  |   |   |   |
| Receipts from sales of goods and services                                      | 5,975,782                               | —                                       | —                                       | 6,242,979                                | 6,031,715                               | (4,844,201)                             | 13,406,275                              |
| Other receipts from operating activities                                       | 12,067                                  | —                                       | —                                       | —  | 2,918                                   | (10,347)                                | 4,638                                   |
| Payments to suppliers for the supply of goods and services                     | (4,291,945)                             | (20,795)                                | (377)                                   | (4,664,071)                              | (4,417,013)                             | 3,823,478                               | (9,570,723)                             |
| Payments to and on behalf of employees   | (423,688)                               | (1,332)                                 | —                                       | (1,572,939)                              | (1,340,071)                             | 932,715                                 | (2,405,315)                             |
| Other payments for operating activities  | —                                       | —                                       | —                                       | —  | (64,025)                                | 32,810                                  | (31,215)                                |
| Dividends paid   | —                                       | —                                       | —                                       | —  | (800)                                   | 800                                     | —                                       |
| Dividends received   | —                                       | 70,950                                  | —                                       | —  | —                                       | (70,950)                                | —                                       |
| Interest paid  | —                                       | —                                       | (19,950)                                | —  | —                                       | 19,950                                  | —                                       |
| Interest received  | 8,621                                   | —                                       | —                                       | 52,878                                   | 83,964                                  | (134,153)                               | 11,310                                  |
| Income taxes refunded (paid)   | (11,558)                                | 4,256                                   | —                                       | 40,393                                   | (94,185)                                | (21,939)                                | (83,033)                                |
| Other inflows (outflows) of cash   | 38,011                                  | (7,539)                                 | (27)                                    | (24,540)                                 | 16,575                                  | 54,281                                  | 76,761                                  |
| Net cash flows from operating activities                                       | 1,307,290                               | 45,540                                  | (20,354)                                | 74,700                                   | 219,078                                 | (217,556)                               | 1,408,698                               |
| <b>Cash flows from (used in) investing activities</b>                          |   |   |   |  |   |   |   |
| <b>Cash flows from losing control of subsidiaries or other businesses</b>      |   |   |   |  |   |   |   |
| Cash flows used to obtain control of subsidiaries or other businesses          | (1,650,000)                             | (1,644,953)                             | —                                       | (616,911)                                | (182,531)                               | 4,088,878                               | (5,517)                                 |
| <b>Cash flows used in the purchase of non-controlling</b>                      |   |   |   |  |   |   |   |
| Other cash receipts from sales of equity or debt instruments of other entities | —                                       | 409                                     | —                                       | (208,776)                                | (51,409)                                | 530,261                                 | 270,485                                 |
| Other payments to acquire equity or debt instruments of other entities         | —                                       | —                                       | —                                       | (29,101)                                 | (93,526)                                | (318,174)                               | (440,801)                               |
| Loans to related parties   | (288,957)                               | —                                       | (218,026)                               | —  | (86,282)                                | 593,265                                 | —                                       |
| Proceeds from sale of property, plant and equipment                            | 6,281                                   | —                                       | —                                       | —  | 189,445                                 | 29,470                                  | 225,196                                 |
| Purchases of property, plant and equipment                                     | (1,523,440)                             | —                                       | —                                       | (68,471)                                 | 109,632                                 | 100,493                                 | (1,381,786)                             |
| Amounts raised from sale of intangible assets                                  | (12,539)                                | —                                       | —                                       | (20,529)                                 | (14,021)                                | 3,605                                   | (43,484)                                |
| Proceeds from other long-term assets   | —                                       | —                                       | —                                       | —  | 14,999                                  | 7,145                                   | 22,144                                  |
| Other cash receipts from related parties                                       | —                                       | —                                       | —                                       | (269,622)                                | 30,260                                  | 239,362                                 | —                                       |
| Income taxes refunded (paid)   | —                                       | —                                       | —                                       | —  | (77,902)                                | 77,902                                  | —                                       |
| Other inflows (outflows) of cash   | —                                       | —                                       | —                                       | 61,188                                   | 18,435                                  | (4,175)                                 | 75,448                                  |
| Net cash flows from investing activities                                       | (3,468,655)                             | (1,644,544)                             | (218,026)                               | (1,152,222)                              | (142,700)                               | 5,347,335                               | (1,278,812)                             |
| <b>Cash flows from (used in) financing activities</b>                          |   |   |   |  |   |   |   |
| Proceeds from issue of shares  | 888,570                                 | 1,650,000                               | 185,190                                 | 1,577,613                                | 182,897                                 | (3,595,321)                             | 888,949                                 |
| Payments to acquire or redeem the entity's shares                              | —                                       | (900)                                   | —                                       | —  | (200)                                   | 1,100                                   | —                                       |
| Proceeds from term loans   | 1,924,260                               | —                                       | —                                       | 114,768                                  | 65,815                                  | (61,325)                                | 2,043,518                               |
| Proceeds from short term loans   | 963,800                                 | —                                       | —                                       | 145,285                                  | 51,984                                  | (59,910)                                | 1,101,159                               |
| Loans from related parties   | 1,134,875                               | —                                       | —                                       | —  | 315,183                                 | (1,450,058)                             | —                                       |



|   |                         |                   |                  |                       |                       |                       |                         |
|---|-------------------------|-------------------|------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Repayment of loans  | (1,223,409)             | —                 | —                | (330,584)             | (332,092)             | (65,928)              | (1,952,013)             |
| Payments of finance lease liabilities   | (83,088)                | —                 | —                | (281,648)             | (41,234)              | (17,135)              | (423,105)               |
| Repayment of loans to related parties   | (87,679)                | —                 | 54,594           | —                     | (21,874)              | 54,959                | —                       |
| Dividends Paid  | (3,288)                 | —                 | —                | —                     | (1,053)               | (25,353)              | (29,694)                |
| Interest paid   | (164,186)               | —                 | (2,294)          | (329,617)             | (116,762)             | 251,853               | (361,006)               |
| Other inflows (outflows) of cash  | (51,701)                | —                 | —                | —                     | (59,400)              | 49,088                | (62,013)                |
| Net cash flows from (used in) financing activities                                    | <u>3,298,154</u>        | <u>1,649,100</u>  | <u>237,490</u>   | <u>895,817</u>        | <u>43,264</u>         | <u>(4,918,030)</u>    | <u>1,205,795</u>        |
| Net increase (decrease) in , cash and cash equivalents before effect of exchange rate | 1,136,789               | 50,096            | (890)            | (181,705)             | 119,642               | 211,749               | 1,335,681               |
| Effects of variation in the exchange rate on cash and cash equivalents                | —                       | (50,061)          | (2,819)          | 137,052               | 50,398                | (135,607)             | (1,041)                 |
| Net increase (decrease) in cash and cash equivalents                                  | 1,136,789               | 35                | (3,709)          | (44,653)              | 170,040               | 76,142                | 1,334,640               |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                                      | <u>231,930</u>          | <u>73</u>         | <u>3,797</u>     | <u>166,755</u>        | <u>169,675</u>        | <u>78,037</u>         | <u>650,263</u>          |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | <u><u>1,368,719</u></u> | <u><u>108</u></u> | <u><u>88</u></u> | <u><u>122,102</u></u> | <u><u>339,715</u></u> | <u><u>154,179</u></u> | <u><u>1,984,903</u></u> |

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

|  | LATAM S.A.<br>(parent company<br>and guarantor) | TAM S.A.<br>(guarantor)                 | TAM Capital<br>(subsidiary issuer)      | TAM Linhas<br>Aéreas S.A.<br>(guarantor) | Other<br>(non-guarantor)                | Consolidating<br>adjustments            | Consolidated                            |
|--|---|---|---|--|---|---|---|
|  | As of<br>December 31,<br>2012<br>ThUS\$         | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$  | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ | As of<br>December 31,<br>2012<br>ThUS\$ |
| <b>Cash flows from operating activities</b>                                    |   |   |   |  |   |   |   |
| Receipts from sales of goods and services                                      | 5,104,044                                       | —                                       | —                                       | 3,820,407                                | 5,145,942                               | (3,811,920)                             | 10,258,473                              |
| Other receipts from operating activities                                       | 60,484  | —                                       | —                                       | —  | 7,615                                   | (10,336)                                | 57,763                                  |
| Payments to suppliers for the supply of goods and services                     | (3,998,995)                                     | (53,113)                                | —                                       | (2,517,274)                              | (4,389,390)                             | 3,804,907                               | (7,153,865)                             |
| Payments to and on behalf of employees   | (407,991)                                       | (5,720)                                 | —                                       | (798,466)                                | (726,623)                               | 31                                      | (1,938,769)                             |
| Other payments for operating activities  | —   | —                                       | —                                       | —  | (29,732)                                | 10,407                                  | (19,325)                                |
| Interest paid  | (2,371)   | —                                       | (10,969)                                | —  | (907)                                   | 14,247                                  | —                                       |
| Interest received  | 11,772  | 1,953                                   | —                                       | 6,812                                    | 25,856                                  | 6,593                                   | 52,986                                  |
| Income taxes refunded (paid)   | (3,641)   | 2,360                                   | —                                       | 61,564                                   | (46,268)                                | (17,033)                                | (3,018)                                 |
| Other inflows (outflows) of cash   | 19,823  | 7,171                                   | (4)                                     | (76,384)                                 | (17,303)                                | 16,264                                  | (50,433)                                |
| Net cash flows from operating activities                                       | 783,125   | (47,349)                                | (10,973)                                | 496,659                                  | (30,810)                                | 13,160                                  | 1,203,812                               |
| <b>Cash flows from (used in) investing activities</b>                          |   |   |   |  |   |   |   |
| Cash flows from losing control of subsidiaries or other businesses             | —   | —                                       | —                                       | —  | 400                                     | (400)                                   | —                                       |
| Cash flows used to obtain control of subsidiaries or other businesses          | —   | —                                       | —                                       | —  | (176,238)                               | 173,015                                 | (3,223)                                 |
| Cash flows used in the purchase of non-controlling                             | —   | —                                       | —                                       | —  | (89)                                    | 89                                      | —                                       |
| Other cash receipts from sales of equity or debt instruments of other entities | 30,928  | 153,179                                 | —                                       | 132,738                                  | 69,533                                  | 1                                       | 386,379                                 |
| Loans to related parties   | (234,535)                                       | —                                       | —                                       | (55,000)                                 | (50,701)                                | 340,236                                 | —                                       |
| Proceeds from sale of property, plant and equipment                            | 29,134  | —                                       | —                                       | 23,035                                   | 21,237                                  | 24                                      | 73,429                                  |
| Purchases of property, plant and equipment                                     | (2,310,381)                                     | (2,916)                                 | —                                       | (97,905)                                 | 16,081                                  | 5,757                                   | (2,389,364)                             |
| Purchases of intangible assets   | (25,275)  | —                                       | —                                       | (22,034)                                 | (11,857)                                | —                                       | (59,166)                                |
| Proceeds from other long-term assets   | 13,940  | —                                       | —                                       | —  | 24,095                                  | —                                       | 38,035                                  |
| Cash receipts from futures contracts, forward, options and swap                | —   | —                                       | —                                       | 606                                      | —                                       | (606)                                   | —                                       |
| Proceeds from related parties  | 65,969  | —                                       | —                                       | —  | 33,611                                  | (99,580)                                | —                                       |
| Dividends received   | 34,848  | 114,433                                 | —                                       | —  | 8,742                                   | (157,672)                               | 351                                     |
| Interest received  | 6,031   | —                                       | —                                       | —  | 20,368                                  | (26,399)                                | —                                       |
| Other inflows (outflows) of cash   | —   | —                                       | —                                       | (69,761)                                 | 507                                     | 96,397                                  | 27,143                                  |
| Net cash flows from investing activities                                       | (2,389,341)                                     | 264,696                                 | —                                       | (88,321)                                 | (44,311)                                | 330,862                                 | (1,926,416)                             |
| <b>Cash flows from (used in) financing activities</b>                          |   |   |   |  |   |   |   |
| Proceeds from issue of shares  | 79,212  | —                                       | —                                       | —  | 192,406                                 | (188,106)                               | 83,512                                  |
| Proceeds from issuance of other equity instruments                             | —   | —                                       | —                                       | —  | —                                       | —                                       | —                                       |
| Payments to acquire or redeem the entity's shares                              | (203)   | (167,589)                               | —                                       | —  | (11,900)                                | 179,489                                 | (203)                                   |
| Payments for other equity interests  | —   | (54,808)                                | —                                       | —  | —                                       | 54,808                                  | —                                       |
| Proceeds from term loans   | 2,044,463                                       | —                                       | —                                       | —  | 141,200                                 | —                                       | 2,185,663                               |
| Proceeds from short term loans   | 152,000   | —                                       | —                                       | —  | —                                       | —                                       | 152,000                                 |



|   |           |           |          |           |           |           |           |
|---|-----------|-----------|----------|-----------|-----------|-----------|-----------|
| Loans from related parties  | 55,000    | —         | —        | 18,930    | 256,867   | (330,797) | —         |
| Repayment of loans  | (260,737) | —         | —        | (38,749)  | (239,846) | —         | (539,332) |
| Payments of finance lease liabilities   | (58,177)  | —         | —        | (194,634) | (40,120)  | —         | (292,931) |
| Repayment of loans to related parties   | (30,925)  | —         | —        | —         | (68,654)  | 99,579    | —         |
| Proceeds from government grants   | —         | —         | —        | —         | —         | —         | —         |
| Dividends Paid  | (103,503) | —         | —        | (60,720)  | (118,266) | 157,662   | (124,827) |
| Interest paid   | (102,005) | —         | —        | (53,224)  | (69,798)  | (2,580)   | (227,607) |
| Income taxes refunded (paid)  | —         | —         | —        | —         | —         | —         | —         |
| Other inflows (outflows) of cash  | (181,985) | —         | —        | 44,778    | (32,739)  | (61,133)  | (231,079) |
| Net cash flows from (used in) financing activities                                    | 1,593,140 | (222,397) | —        | (283,619) | 9,150     | (91,078)  | 1,005,196 |
| Net increase (decrease) in , cash and cash equivalents before effect of exchange rate | (13,076)  | (5,050)   | (10,973) | 124,719   | (65,971)  | 252,944   | 282,592   |
| Effects of variation in the exchange rate on cash and cash equivalents                | —         | 750       | 198      | (18,507)  | 18,000    | (7,173)   | (6,736)   |
| Net increase (decrease) in cash and cash equivalents                                  | (13,076)  | (4,300)   | (10,775) | 106,212   | (47,971)  | 245,771   | 275,856   |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                                      | 245,006   | 4,369     | 14,572   | 60,543    | 217,657   | (167,740) | 374,407   |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | 231,930   | 69        | 3,797    | 166,755   | 169,686   | 78,031    | 650,263   |



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, comprehensive income, changes in equity and of cash flows present fairly, in all material respects, the financial position of Latam Airlines Goup S.A. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of this annual report. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.



A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers  
Santiago, Chile  
April 1, 2015

F-157





**SIGNATURES**

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

April 1, 2015

LATAM Airlines Group S.A.

By /s/ Andres Osorio Hermansen  
Name: Andres Osorio Hermansen  
Title: Chief Financial Officer



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**ITEM 19. EXHIBITS**

Documents filed as exhibits to this annual report:

**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 1.1                | Amended By-laws of LATAM Airlines Group S.A.   |
| 2.1                | Second Amended and Restated Deposit Agreement, dated as of October 28, 2011, between the Company and JPMorgan Chase Bank, N.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 2.3                | Indenture, dated as of April 25, 2007, among TAM Capital Inc., Tam S.A., TAM Linhas Aéreas S.A., The Bank of New York and The Bank of New York (Luxembourg) S.A., incorporated herein by reference from our second pre-effective amendment to our Registration Statement on Form F-4, File No. 333-131938.   |
| 2.4                | Indenture, dated as of October 29, 2009, among TAM Capital 2 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A., incorporated herein by reference from our Annual Report for the fiscal year ended December 31, 2009 on Form 20-F, filed June 30, 2010, File. No. 333-131938.   |
| 4.1                | Second A320-Family Purchase Agreement, dated March 20, 1998, between the Company and Airbus Industry relating to Airbus A320-Family Aircraft (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on June 24, 2001 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.1.1              | Amendment No. 1 dated as of November 14, 2003 and Amendment No. 2 dated as of October 4, 2005, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (as successor to Airbus Industry) (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment). |
| 4.1.2              | Amendment No. 3 dated as of March 6, 2007, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.1.3              | Amendment No. 5 dated as of December 23, 2009, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 29, 2010 and portions of which have been omitted pursuant to a request for confidential treatment).   |



| Exhibit No. | Description   |
|-------------|---|
| 4.1.4       | Amendments No. 6, 7, 8 and 9 (dated as of May 10, 2010, May 19, 2010, September 23, 2010 and December 21, 2010, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.5       | Amendments No. 10 and 11 (dated as of June 10, 2011 and November 8, 2011, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.6       | Amendment No. 12 (dated as of November 19, 2012), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.7       | Amendment No. 13 (dated as of August 19, 2013), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.1.8*      | Amendments No. 14, 15, 16 and 17 (dated as of March 31, 2014, May 16, 2014, July 15, 2015 and December 11, 2014, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission  |
| 4.1.9*      | Novation Agreement (dated as of October 30, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A320 Family/A330 purchase agreement dated November 14, 2006, as amended and restated, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.2         | Purchase Agreement No. 2126 dated as of January 30, 1998, between the Company and The Boeing Company as amended and supplemented, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on December 21, 2004 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.2.1       | Supplemental Agreements No. 16, 19, 20, 21 and 22 (dated as of November 11, 2004, April 1, April 28, and July 20, 2005, and March 31, 2006, respectively) to the Purchase Agreement No. 2126 dated January 30, 1998, between the Company and The Boeing Company, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report filed on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment). |
| 4.2.2       | Supplemental Agreement No. 23 dated as of December 14th, 2006 to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on April 23, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.2.3       | Supplemental Agreement No. 24 dated as of November 10, 2008, to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2009 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.2.4       | Supplemental Agreements No. 28 and 29 (dated as of March 22, 2010 and November 10, 2010, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of these documents have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).                            |
| 4.2.5       | Supplemental Agreements No. 30, 31 and 32 (dated as of February 15, 2011, May 10, 2011 and December 22, 2011, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |



| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 4.3                | Aircraft Lease Common Terms Agreement between GE Commercial Aviation Services Limited and LAN Cargo S.A., dated as of April 30, 2007, and Aircraft Lease Agreements between Wells Fargo Bank Northwest N.A., as owner trustee, and LAN Cargo S.A., dated as of April 30, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment). |
| 4.4                | Purchase Agreement No. 3194 between the Company and The Boeing Company relating to Boeing Model 777-Freighter aircraft dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.4.1              | Supplemental Agreement No. 2 dated as of November 2, 2010, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.4.2              | Supplemental Agreement No. 3 dated as of September 21, 2011, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.4.3              | Supplemental Agreement No. 4 dated as of August 9, 2012, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5                | Purchase Agreement No. 3256 between the Company and The Boeing Company relating to Boeing Model 787-8 and 787-9 aircraft dated as of October 29, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5.1              | Supplemental Agreements No. 1 and 2 (dated March 22, 2010 and July 8, 2010, respectively) to the Purchase Agreement No. 3256 dated October 29, 2007, as amended, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5.2              | Supplemental Agreement No. 3 dated as of August 24, 2012, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.5.3              | Delay Settlement Agreement, dated as of September 16, 2013, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.6                | General Terms Agreement No. CFM-1-2377460475 and Letter Agreement No. 1 to General Terms Agreement No. CFM-1-2377460475 between the Company and CFM International, Inc., both dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.7                | Rate Per Flight Hour Engine Shop Maintenance Services Agreement between the Company and CFM International, Inc., dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.9                | Implementation Agreement, dated as of January 18, 2011, among the Company, Costa Verde Aeronáutica S.A., Inversiones Mineras del Cantábrico S.A., TAM S.A., TAM Empreendimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).   |



| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 4.9.1              | Extension Letter to the Implementation Agreement and Exchange Offer Agreement dated January 12, 2012 among the Company, Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011). |
| 4.10               | Exchange Offer Agreement, dated as of January 18, 2011, among LAN Airlines S.A., Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).   |
| 4.11               | Shareholders Agreement, dated as of January 25, 2012, among Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A. and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 4.12               | Shareholders Agreement, dated as of January 25, 2012, between the Company and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).  |
| 4.13               | Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A. and Holdco I S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 4.14               | Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A., Holdco I S.A. and TAM S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).   |
| 4.15               | Letter Agreement No. 12 (GTA No. 6-9576), dated July 11, 2011, between the Company and the General Electric Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.20               | A320 NEO Purchase Agreement, dated as of June 22, 2011, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.20.1*            | Amendments No. 1, 2 and 3 (dated as of February 27, 2013, July 15, 2014 and December 11, 2014, respectively), to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.20.2*            | Letter Agreement No. 1 (dated as of July 15, 2014) to Amendment No. 2 (dated as of July 15, 2014) to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.21               | Buyback Agreement No. 3001 relating to One (1) Airbus A318-100 Aircraft MSN 3001, dated as of April 14, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.22               | Buyback Agreement No. 3030 relating to One (1) Airbus A318-100 Aircraft MSN 3003, dated as of August 10, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |



| Exhibit No. | Description  |
|-------------|--|
| 4.23        | Buyback Agreement No. 3062, to One (1) Airbus A318-100 Aircraft MSN 3062, dated as of May 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.24        | Buyback Agreement No. 3214, to One (1) Airbus A318-100 Aircraft MSN 3214, dated as of June 9, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.25        | Buyback Agreement No. 3216, to One (1) Airbus A318-100 Aircraft MSN 3216, dated as of July 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.26        | Aircraft General Terms Agreement Number AGTA-LAN, dated May 9, 1997, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.27        | Buyback Agreement No. 3371 dated as of July 25, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.28        | Buyback Agreement No. 3390, dated as of October 26, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.29        | Buyback Agreement No. 3438, dated as of December 5, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.30        | Buyback Agreement No. 3469, dated as of January 4, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.31        | Buyback Agreement No. 3509, dated as of February 20, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.32        | A320 Family Purchase Agreement, dated March 19, 1998, between Airbus S.A.S. (formerly known as Airbus Industrie GIE) and TAM Linhas Aéreas S.A. (formerly known as TAM Transportes Aéreos Meridionais S.A. and as successor in interest in TAM-Transportes Aéreos Regionais S.A.), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.  |
| 4.32.1      | Amendments No. 12, 13 and 14 (dated as of January 27, 2012 and November 30, 2012 and December 14, 2012, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).                            |
| 4.33        | A350 Family Purchase Agreement, dated December 20, 2005, between Airbus S.A.S. and TAM Linhas Aéreas S.A., incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.  |
| 4.33.1*     | A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.33.2*     | Amendments No. 1, 2 and 3 (dated July 28, 2010, July 15, 2014 and October 30, 2014, respectively) to the A350 Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.33.3*     | Novation Agreement (dated as of July 21, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission. |



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| Exhibit<br>No. | Description  |
|----------------|--|
| 4.34           | V2500 Maintenance Agreement, dated September 14, 2000, between TAM Transportes Aéreos Regionais S.A. (incorporated by TAM Linhas Aéreas S.A.) and MTU Maintenance Hannover GmbH (MTU), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.  |
| 4.36           | PW1100G-JM Engine Support and Maintenance Agreement, dated February 26, 2014, between LATAM Airlines Group S.A. and Pratt & Whitney Division, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).   |
| 4.37           | Framework Deed, dated May 28, 2013, between LATAM Airlines Group S.A. and AerCap Holdings N.V, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).  |
| 4.38*          | A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.   |
| 4.38.1*        | Amendments No. 15, 16, 17, 18, and 19 (dated as of February 18, 2013, February 27, 2013, August 19, 2013, July 15, 2014 and December 11, 2014, respectively) to the A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission. |
| 4.39*          | Supplemental Agreement No. 7 (dated as of May 2014) to the Boeing 777-32WER Purchase Agreement (dated as of February 2007) between TAM – Linhas Aereas S.A. and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.  |
| 8.1            | List of subsidiaries of the Company.   |
| 12.1           | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 12.2           | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 13.1           | Certifications of Chief Financial Officer and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |

\* Filed herewith.



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**LATAM AIRLINES GROUP**  
**FORM 20-F**

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**Exhibit 4.1.8**

**AMENDMENT No. 14**  
TO THE  
SECOND A320 FAMILY PURCHASE AGREEMENT  
BETWEEN  
**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)  
AND  
**AIRBUS S.A.S.**

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Ref: CT1202039

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This amendment No.14 to the Second A320 Family Purchase Agreement (as defined below) is entered into as of 31 March, 2014, by and between

AIRBUS S.A.S., having its principal office at:  
1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “**Seller**”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having its principal office at:  
Edificio Huidobro  
Avenida Presidente Riesco 5711- 20th Floor  
Las Condes  
SANTIAGO  
CHILE

(hereinafter referred to as the “**Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”

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WHEREAS

- A. The Buyer and the Seller entered into an A320 family purchase agreement dated March 20th, 1998 covering the purchase by the Buyer and the sale by the Seller of twenty (20) A320 family aircraft bearing rank numbers 1 to 20. By an amendment No.1 to such purchase agreement entered into by the Buyer and the Seller on February 24th.,2000 the number of A320 family aircraft to be purchased by the Buyer pursuant to such purchase agreement was increased to twenty five (25), with the additional five (5) A320 family aircraft bearing rank numbers 21 to 25. Such twenty five (25) A320 family aircraft are hereinafter referred to as the “**Original A320 Family Aircraft**”, and such purchase agreement, amendment No.1, and all exhibits, appendices and letter agreements thereto are together referred to as the “**Original A320 Family Purchase Agreement**”.
- B. The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2nd, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements, the first agreement concerning the Original A320 Family Aircraft bearing rank numbers 1 to 20, and the second agreement concerning the Original A320 Family Aircraft bearing rank numbers 21 to 25. The second agreement as supplemented with all exhibits and appendices thereto is hereinafter referred to as the “**Second A320 Family Purchase Agreement**”.
- C. The Buyer and the Seller entered into an amendment No.1 to the Second A320 Family Purchase Agreement dated November 14th 2003 (the “**Amendment No.1**”) modifying certain provisions of the Second A320 Family Purchase Agreement.
- D. The Buyer and the Seller entered into an amendment No.2 to the Second A320 Family Purchase Agreement dated October 4th, 2005 (the “**Amendment No.2**”) covering the purchase by the Buyer and the sale by the Seller of twenty five (25) additional firm A320 family aircraft comprising twenty (20) A318-100, one (1) A319-100 and four (4) A320-200 aircraft type (the “**Additional Aircraft**”).
- E. The Buyer and the Seller entered into an amendment No.3 to the Second A320 Family Purchase Agreement dated March 6th, 2007 (the “**Amendment No.3**”) covering the conversion of fifteen (15) Option Aircraft (as defined in the Amendment No.2) into firmly ordered Converted Aircraft (as defined in Amendment No.3).
- F. The Buyer and the Seller entered into an amendment No. 4 to the Second A320 Family Purchase Agreement dated June 11th, 2008 (the “**Amendment No.4**”) covering the conversion of five (5) A318-100 Additional Aircraft bearing rank Nos. 26 to 30 as set forth in Amendment No.2 and three (3) A318-100 Converted Aircraft bearing rank Nos. 37, 40 and 43 as set form in Amendment No.3, into A319 aircraft type.
- G. The Buyer and the Seller entered into an amendment No. 5 to the Second A320 Family Purchase Agreement dated December 23rd 2009 (the “**Amendment No.5**”) covering the order of thirty (30) incremental A319-100 and A320-200 aircraft (the “**Incremental Aircraft**”) and amending certain provisions of the Second A320 Family Purchase Agreement.



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- H. [\*\*\*]
- I. The Buyer and the Seller entered into an amendment No. 6 to the Second A320 Family Purchase Agreement dated May 10th, 2010 (the “**Amendment No.6**”) covering the conversion of the aircraft type of three (3) A319-100 First Batch of Incremental Aircraft (as defined in the Amendment No.5) into firmly ordered A320-200 First Batch Incremental Aircraft and the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Eleven (11) Aircraft from the Second Batch of Incremental Aircraft (as defined in the Amendment No.5).
- J. The Buyer and the Seller entered into an amendment No. 7 to the Second A320 Family Purchase Agreement dated May 19th, 2010 (the “**Amendment No.7**”) covering the advancement of the scheduled delivery positions of Three (3) Converted Aircraft.
- K. The Buyer and the Seller entered into an amendment No. 8 to the Second A320 Family Purchase Agreement dated September 23rd, 2010 (the “**Amendment No.8**”) covering (i) the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Two (2) Aircraft from the Second Batch of Incremental Aircraft and (ii) the conversion of the aircraft type of one (1) A319-100 from the Second Batch of Incremental Aircraft into firmly ordered A320-200 from the Second Batch Incremental Aircraft.
- L. The Buyer and the Seller entered into an amendment No. 9 to the Second A320 Family Purchase Agreement dated December 21<sup>st</sup> 2010 (the “**Amendment No.9**”) covering the order of fifty (50) incremental A319-100, A320-200 and A321-200 aircraft, and, amending certain provisions of the Second A320 Family Purchase Agreement.
- M. [\*\*\*]
- N. The Buyer and the Seller entered into an amendment No. 10 to the Second A320 Family Purchase Agreement dated June 10<sup>th</sup> 2011 (the “**Amendment No.10**”) covering (i) the conversion of certain Aircraft type, (ii) the Sharklets selection for certain Aircraft, and (iii) the notification of the scheduled delivery months for the Aircraft scheduled to be delivered in the fourth quarter 2012 and the first quarter 2013.
- O. The Buyer and the Seller entered into an amendment No. 11 to the Second A320 Family Purchase Agreement (the “**Amendment No.11**”) covering (i) the postponement of certain Aircraft scheduled delivery position, and (ii) the conversion of certain Aircraft type.
- P. The Buyer and the Seller entered into amendment No. 12 to the Second A320 Family Purchase Agreement (the “**Amendment No.12**”) covering (i) the conversion of three (3) Aircraft type with rank number 61, rank number 63 and rank number 80, (ii) the identification of certain Aircraft as Sharklet installed Aircraft and others as Sharklet Capable Aircraft, and (iii) the notification of the Scheduled Delivery Month for certain Aircraft.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- Q. The Buyer and the Seller entered into amendment No. 13 to the Second A320 Family Purchase Agreement (the “**Amendment No. 13**”) covering, among other related commercial matters, (i) the conversion of certain Aircraft type and (ii) the postponement of certain Aircraft scheduled delivery months/quarters.
- R. The Buyer and the Seller wish to enter into this amendment No. 14 to the Second A320 Family Purchase Agreement (the “**Amendment No. 14**”) covering the [\*\*\*] of the Scheduled Delivery Month of one Aircraft.

NOW IT IS HEREBY AGREED AS FOLLOWS:

**0. DEFINITIONS**

- 0.1. The terms “herein,” “hereof,” and “hereunder” and words of similar import refer to this Amendment No. 14 and capitalized terms used herein and not otherwise defined in this Amendment No. 14 will have the meanings assigned to them in the Purchase Agreement (as defined below).
- 0.2. **Purchase Agreement** means the Second A320 Family Purchase Agreement together with Amendments Nos. 1 to 13 thereto.

**1. SCOPE**

- 1.1 The Buyer has requested and the Seller has agreed to hereby [\*\*\*] the Scheduled Delivery Month of one Aircraft as set forth in Clause 2 below.
- 1.2 [\*\*\*]

**2. AIRCRAFT RESCHEDULING**

- 2.1 The Parties agree to [\*\*\*] the Scheduled Delivery Month of Aircraft rank 101 from [\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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2.2 The following table sets out the rescheduling described in clause 2.1 above here below:

| <u>Rank number</u> | <u>Original Scheduled Delivery Month</u> | <u>Revised Scheduled Delivery Month</u> | <u>Original Aircraft Type</u> | <u>Revised Aircraft Type</u> | <u>Aircraft Batch</u>     |
|--------------------|--|---|-------------------------------|------------------------------|---------------------------|
| 101                | [***]                                    | [***]                                   | A321-200                      | A321-200                     | 2010 incremental Aircraft |

### 3. DELIVERY SCHEDULE

With reference to Aircraft bearing rank numbers 46 to 125, the Parties hereby agree to delete clause 9.1 of the Second A320 Family Purchase Agreement, as substituted by clause 2.1.1 of Amendment No.5, clause 2 of Amendment No.7, clauses 2 and 3 of Amendment No.8, clause 2.1.1 of Amendment No.9, clause 5 of Amendment No.10, clause 4 of Amendment No.11, clause 5 of Amendment No.12 and clause 5 of Amendment No.13, in its entirety and replace it with the following:

#### QUOTE

##### 9.1 Delivery schedule

9.1.1 Subject to the provisions of Clauses 2, 7, 8, 10 and 18 the Seller shall have the Aircraft ready for Delivery at the Delivery Location in accordance with the following schedule:

| <u>Scheduled Delivery Months or Scheduled Delivery Quarters</u> | <u>Rank number</u> | <u>Aircraft type</u> | <u>Aircraft defined as</u> |                                      |                                      |
|---|--------------------|----------------------|----------------------------|--------------------------------------|--------------------------------------|
| 2011  | July               | 53                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | July               | 55                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | August             | 46                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | September          | 47                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | October            | 48                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | November           | 49                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | November           | 50                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | October            | 51                   | A319-100                   | First Batch of Incremental Aircraft  |                                      |
|   | November           | 52                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | December           | 62                   | A320-200                   | First Batch of Incremental Aircraft  |                                      |
|   | 2012               | January              | 54                         | A319-100                             | Second Batch of Incremental Aircraft |
|   |                    | March                | 76                         | A319-100                             | 2010 Incremental Aircraft            |
| April   |                    | 64                   | A320-200                   | Second Batch of Incremental Aircraft |                                      |
| May   |                    | 66                   | A320-200                   | Second Batch of Incremental Aircraft |                                      |
| June  |                    | 77                   | A320-200                   | 2010 Incremental Aircraft            |                                      |
| July  |                    | 78                   | A320-200                   | 2010 Incremental Aircraft            |                                      |
| July  |                    | 65                   | A320-200                   | Second Batch of Incremental Aircraft |                                      |
| August  |                    | 67                   | A320-200                   | Second Batch of Incremental Aircraft |                                      |
| September   |                    | 79                   | A320-200                   | 2010 Incremental Aircraft            |                                      |
| October   |                    | 80                   | A320-200                   | 2010 Incremental Aircraft            |                                      |
| November  |                    | 68                   | A320-200                   | Second Batch of Incremental Aircraft |                                      |
| December  |                    | 69                   | A320-200                   | Second Batch of Incremental Aircraft |                                      |

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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|      |          |     |          |                                      |
|------|----------|-----|----------|--------------------------------------|
| 2013 | January  | 82  | A320-200 | 2010 Incremental Aircraft            |
|      | January  | 81  | A320-200 | 2010 Incremental Aircraft            |
|      | February | 56  | A320-200 | Second Batch of Incremental Aircraft |
|      | February | 71  | A320-200 | Second Batch of Incremental Aircraft |
|      | April    | 83  | A320-200 | 2010 Incremental Aircraft            |
|      | April    | 84  | A320-200 | 2010 Incremental Aircraft            |
|      | May      | 73  | A320-200 | Second Batch of Incremental Aircraft |
|      | May      | 85  | A320-200 | 2010 Incremental Aircraft            |
|      | July     | 58  | A320-200 | Second Batch of Incremental Aircraft |
|      | July     | 59  | A320-200 | Second Batch of Incremental Aircraft |
|      | August   | 74  | A320-200 | Second Batch of Incremental Aircraft |
|      | October  | 60  | A320-200 | Second Batch of Incremental Aircraft |
|      | November | 75  | A320-200 | Second Batch of Incremental Aircraft |
|      | December | 70  | A320-200 | Second Batch of Incremental Aircraft |
| 2014 | January  | 81  | A320-200 | Second Batch of Incremental Aircraft |
|      | February | 86  | A320-200 | Second Batch of Incremental Aircraft |
|      | February | 87  | A321-200 | 2010 Incremental Aircraft            |
|      | April    | 57  | A320-200 | 2010 Incremental Aircraft            |
|      | May      | 88  | A321-200 | Second Batch of Incremental Aircraft |
|      | June     | 89  | A320-200 | 2010 Incremental Aircraft            |
|      | June     | 90  | A321-200 | 2010 Incremental Aircraft            |
|      | June     | 91  | A321-200 | 2010 Incremental Aircraft            |
|      | July     | 63  | A320-200 | 2010 Incremental Aircraft            |
|      | December | 94  | A321-200 | Second Batch of Incremental Aircraft |
|      | December | 98  | A321-200 | 2010 Incremental Aircraft            |
|      | December | 101 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 102 | A320-200 | 2010 Incremental Aircraft            |
| ***  | ***      | 104 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 105 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 106 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 107 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 108 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 109 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 110 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 111 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 112 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 113 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 114 | A319-100 | 2010 Incremental Aircraft            |
|      |          | 115 | A319-100 | 2010 Incremental Aircraft            |
| ***  | ***      | 116 | A319-100 | 2010 Incremental Aircraft            |
|      |          | 92  | A321-200 | 2010 Incremental Aircraft            |
|      |          | 117 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 118 | A320-200 | 2010 Incremental Aircraft            |

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“\*\*\*” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|       |       |     |          |                                      |
|-------|-------|-----|----------|--------------------------------------|
|       | [***] | 119 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 120 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 121 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 122 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 123 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 124 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 125 | A320-200 | 2010 Incremental Aircraft            |
|       |       | 93  | A321-200 | 2010 Incremental Aircraft            |
|       |       | 72  | A321-200 | Second Batch of Incremental Aircraft |
|       |       | 95  | A321-200 | 2010 Incremental Aircraft            |
| [***] | [***] | 96  | A321-200 | 2010 Incremental Aircraft            |
|       |       | 97  | A321-200 | 2010 Incremental Aircraft            |
|       |       | 99  | A321-200 | 2010 incremental Aircraft            |
|       |       | 100 | A321-200 | 2010 incremental Aircraft            |
|       |       | 103 | A321-200 | 2010 incremental Aircraft            |

9.1.2 [\*\*\*]

9.1.3 [\*\*\*]

UNQUOTE

**4. EFFECT OF THE AMENDMENT**

- 4.1 This Amendment No.14 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 4.2 The Purchase Agreement shall be deemed amended to the extent provided in this Amendment No.14 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 4.3 The Parties agree that this Amendment No.14 shall constitute an integral, non-severable part of the Purchase Agreement and be governed by all of its provisions.
- 4.4 In the event of any inconsistency between the terms and conditions of the Purchase Agreement and those of the present Amendment No.14, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.

A320F - LAN - AMDT 14 - Second A320 Family PA  
Ref: CT1202039

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- 4.5 This Amendment No.14 will not be modified or varied except by an instrument in writing executed by both Parties.
- 4.6 Each of the Parties hereto agree that the provisions of this Amendment No.14 are personal to it and will not without the prior written consent of the other Parties disclose such information to any other Party. However. [\*\*\*]
- 4.7 The Parties agree that clause 21 of the Second A320 Family Purchase Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No.14.
- 4.8 This Amendment No.14 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 4.9 This Amendment No.14 shall be governed by and construed in accordance with the laws of England.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





IN WITNESS WHEREOF this Amendment No.14 to the Second A320 Family Purchase Agreement was duly entered into the day and year first above written.

Agreed and Accepted  
 For and on behalf of

Agreed and Accepted  
 For and on behalf of

LATAM AIRLINES GROUP S.A.

AIRBUS S.A.S

By:   
 Its:   
 OSCAR AGUAYO  
 VP Aircraft & Engines Acquisition

Date: \_\_\_\_\_

By: /s/ Patrick de Castelbajac  
 Its: Vice President Contracts  
 Date: \_\_\_\_\_

LATAM AIRLINES GROUP S.A.

By:   
 Its:   
 FELIPE CRUZ R. DE CAMPOS  
 Director Leasing Flota LATAM

Date: \_\_\_\_\_



**AMENDMENT No. 15**

TO THE

SECOND A320 FAMILY PURCHASE AGREEMENT

BETWEEN

**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)

AND

**AIRBUS S.A.S.**

A320F - LAN - AMDT 15 - Second A320 Family PA  
Ref: CT1202039

1/11



This amendment No. 15 to the Second A320 Family Purchase Agreement (as defined below) is entered into as of 16 May, 2014, by and between

AIRBUS S.A.S., having its principal office at:  
1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “**Seller**”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having Its principal office at:  
Edificio Huidobro  
Avenida Presidente Riesco 5711- 20<sup>th</sup> Floor  
Las Condes  
SANTIAGO  
CHILE

(hereinafter referred to as the “**Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”

A320F - LAN - AMDT 15 - Second A320 Family PA  
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## WHEREAS

- A.** The Buyer and the Seller entered into an A320 family purchase agreement dated March 20<sup>th</sup>, 1998 covering the purchase by the Buyer and the sale by the Seller of twenty (20) A320 family aircraft bearing rank numbers 1 to 20. By an amendment No.1 to such purchase agreement, entered into by the Buyer and the Seller on February 24<sup>th</sup>, 2000 the number of A320 family aircraft to be purchased by the Buyer pursuant to such purchase agreement was increased to twenty five (25), with the additional five (5) A320 family aircraft bearing rank numbers 21 to 25. Such twenty five (25) A320 family aircraft are hereinafter referred to as the **“Original A320 Family Aircraft”**, and such purchase agreement, amendment No.1, and all exhibits, appendices and letter agreements thereto are together referred to as the **“Original A320 Family Purchase Agreement”**.
- B.** The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2<sup>nd</sup>, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements, the first agreement concerning the Original A320 Family Aircraft bearing rank numbers 1 to 20, and the second agreement concerning the Original A320 Family Aircraft bearing rank numbers 21 to 25. The second agreement as supplemented with all exhibits and appendices thereto is hereinafter referred to as the **“Second A320 Family Purchase Agreement”**.
- C.** The Buyer and the Seller entered into an amendment No.1 to the Second A320 Family Purchase Agreement dated November 14<sup>th</sup> 2003 (the **“Amendment No.1”**) modifying certain provisions of the Second A320 Family Purchase Agreement.
- D.** The Buyer and the Seller entered into an amendment No.2 to the Second A320 Family Purchase Agreement dated October 4<sup>th</sup>, 2005 (the **“Amendment No.2”**) covering the purchase by the Buyer and the sale by the Seller of twenty five (25) additional firm A320 family aircraft comprising twenty (20) A318-100, one (1) A319-100 and four (4) A320-200 aircraft type (the **“Additional Aircraft”**).
- E.** The Buyer and the Seller entered into an amendment No.3 to the Second A320 Family Purchase Agreement dated March 6<sup>th</sup>, 2007 (the **“Amendment No.3”**) covering the conversion of fifteen (15) Option Aircraft (as defined in the Amendment No.2) into firmly ordered Converted Aircraft (as defined in Amendment No.3).
- F.** The Buyer and the Seller entered into an amendment No. 4 to the Second A320 Family Purchase Agreement dated June 11<sup>th</sup>, 2008 (the **“Amendment No.4”**) covering the conversion of five (5) A318-100 Additional Aircraft bearing rank Nos. 26 to 30 as set forth in Amendment No.2 and three (3) A318-100 Converted Aircraft bearing rank Nos. 37, 40 and 43 as set forth in Amendment No.3, into A319 aircraft type.
- G.** The Buyer and the Seller entered into an amendment No. 5 to the Second A320 Family Purchase Agreement dated December 23<sup>rd</sup> 2009 (the **“Amendment No.5”**) covering the order of thirty (30) incremental A319-100 and A320-200 aircraft (the **“Incremental Aircraft”**) and amending certain provisions of the Second A320 Family Purchase Agreement.



H. [\*\*\*]

I. The Buyer and the Seller entered into an amendment No. 6 to the Second A320 Family Purchase Agreement dated May 10<sup>th</sup>, 2010 (the “**Amendment No.6**”) covering the conversion of the aircraft type of three (3) A319-100 First Batch of Incremental Aircraft (as defined in the Amendment No.5) into firmly ordered A320-200 First Batch Incremental Aircraft and the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Eleven (11) Aircraft from the Second Batch of Incremental Aircraft (as defined in the Amendment No.5).

J. The Buyer and the Seller entered into an amendment No. 7 to the Second A320 Family Purchase Agreement dated May 19<sup>th</sup>, 2010 (the “**Amendment No.7**”) covering the advancement of the scheduled delivery positions of Three (3) Converted Aircraft.

K. The Buyer and the Seller entered into an amendment No. 8 to the Second A320 Family Purchase Agreement dated September 23<sup>rd</sup>, 2010 (the “**Amendment No.8**”) covering (i) the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Two (2) Aircraft from the Second Batch of Incremental Aircraft and (ii) the conversion of the aircraft type of one (1) A319-100 from the Second Batch of Incremental Aircraft into firmly ordered A320-200 from the Second Batch Incremental Aircraft.

L. The Buyer and the Seller entered into an amendment No. 9 to the Second A320 Family Purchase Agreement dated December 21<sup>st</sup> 2010 (the “**Amendment No.9**”) covering the order of fifty (50) incremental A319-100, A320-200 and A321-200 aircraft, and, amending certain provisions of the Second A320 Family Purchase Agreement.

M. [\*\*\*]

N. The Buyer and the Seller entered into an amendment No. 10 to the Second A320 Family Purchase Agreement dated June 10<sup>th</sup> 2011 (the “**Amendment No.10**”) covering (i) the conversion of certain Aircraft type, (ii) the Sharklets selection for certain Aircraft, and (iii) the notification of the scheduled delivery months for the Aircraft scheduled to be delivered in the fourth quarter 2012 and the first quarter 2013.

O. The Buyer and the Seller entered into an amendment No. 11 to the Second A320 Family Purchase Agreement (the “**Amendment No.11**”) covering (i) the postponement of certain Aircraft scheduled delivery position, and (ii) the conversion of certain Aircraft type.

P. The Buyer and the Seller entered into amendment No. 12 to the Second A320 Family Purchase Agreement (the “**Amendment No.12**”) covering (i) the conversion of three (3) Aircraft type with rank number 61, rank number 63 and rank number 89, (ii) the identification of certain Aircraft as Sharklet installed Aircraft and others as Sharklet Capable Aircraft, and (iii) the notification of the Scheduled Delivery Month for certain Aircraft.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- Q. The Buyer and the Seller entered into amendment No. 13 to the Second A320 Family Purchase Agreement (the “**Amendment No. 13**”) covering, among other related commercial matters, (i) the conversion of certain Aircraft type and (ii) the [\*\*\*] of certain Aircraft scheduled delivery months/quarters.
- R. The Buyer and the Seller entered into amendment No. 14 to the Second A320 Family Purchase Agreement (the “**Amendment No. 14**”) covering the [\*\*\*] of the Scheduled Delivery Month of one Aircraft.
- S. The Buyer converted three Aircraft identified by rank 114, 115 and 116 from A319-100 Aircraft to A320-200 Aircraft with notice provided to the Seller on [\*\*\*]
- T. The Buyer and the Seller wish to enter into this amendment No. 15 to the Second A320 Family Purchase Agreement (the “**Amendment No. 15**”) covering rescheduling of certain scheduled delivery months/quarters.

NOW IT IS HEREBY AGREED AS FOLLOWS:

**0. DEFINITIONS**

- 0.1. The terms “herein,” “hereof,” and “hereunder” and words of similar import refer to this Amendment No.15 and capitalized terms used herein and not otherwise defined in this Amendment No.15 will have the meanings assigned to them in the Purchase Agreement (as defined below).
- 0.2. Purchase Agreement means the Second A320 Family Purchase Agreement together with Amendments Nos.1 to 14 thereto.

**1. SCOPE**

- 1.1 The Buyer has requested and the Seller has agreed to hereby i) advance the Scheduled Delivery Month (or Scheduled Delivery Quarter if the month has not been notified) of four Aircraft which are subject to the Purchase Agreement, ii) defer the Scheduled Delivery Month of four Aircraft which are subject to the Purchase Agreement and iii) convert the aircraft type of three Aircraft which are subject to the Purchase Agreement, as set forth in Clause 2 below.
- 1.2 [\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**2. AIRCRAFT DELIVERIES**

- 2.1 The Buyer converted three (3) Aircraft, rank 114, 115 and 116, from the A319-100 type to the A320-200 type with notification sent to and accepted by the Seller on [\*\*\*]
- 2.2 The Parties agree to [\*\*\*] the Scheduled Delivery Month of Aircraft rank 96, 93, 72 and 103 from [\*\*\*] in respect of Aircraft rank 96, to [\*\*\*] and from [\*\*\*] in respect of Aircraft rank 93 and 72, to respectively, and from [\*\*\*] in respect of Aircraft rank 103, to
- 2.3 The Parties agree to [\*\*\*] the Scheduled Delivery Month of Aircraft rank 102, 104, 106 and 107 from [\*\*\*] and [\*\*\*] respectively, to for each such Aircraft.
- 2.4 The following table sets out the conversion described in clause 2.1 above here below:

| <u>Rank number</u> | <u>Scheduled Delivery Month</u> | <u>Original Aircraft Type</u> | <u>Revised Aircraft Type</u> | <u>Aircraft Batch</u>     |
|--------------------|---------------------------------|-------------------------------|------------------------------|---------------------------|
| 114                | [***]                           | A319-100                      | A320-200                     | 2010 Incremental Aircraft |
| 115                | [***]                           | A319-100                      | A320-200                     | 2010 Incremental Aircraft |
| 116                | [***]                           | A319-100                      | A320-200                     | 2010 Incremental Aircraft |

- 2.5 The following table sets out the rescheduling described in clause 2.2 and 2.3 above here below:

| <u>Rank number</u> | <u>Original Scheduled Delivery Month</u> | <u>Revised Scheduled Delivery Month</u> | <u>Aircraft Type</u> | <u>Aircraft Batch</u>                |
|--------------------|--|---|----------------------|--------------------------------------|
| 96                 | [***]                                    | [***]                                   | A321-200             | 2010 Incremental Aircraft            |
| 93                 | [***]                                    | [***]                                   | A321-200             | 2010 Incremental Aircraft            |
| 72                 | [***]                                    | [***]                                   | A321-200             | Second Batch of Incremental Aircraft |
| 103                | [***]                                    | [***]                                   | A321-200             | 2010 Incremental Aircraft            |

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|     |     |     |          |                           |
|-----|-----|-----|----------|---------------------------|
| 102 | *** | *** | A320-200 | 2010 Incremental Aircraft |
| 104 | *** | *** | A320-200 | 2010 Incremental Aircraft |
| 106 | *** | *** | A320-200 | 2010 Incremental Aircraft |
| 107 | *** | *** | A320-200 | 2010 Incremental Aircraft |

2.6 As a result of the Aircraft conversion set forth in clause 2.1 above the Parties agree to delete in its entirety clause 1.1 of Amendment No. 9 and replace it as follows:

QUOTE

1.1. "The Seller shall sell and deliver and the Buyer shall buy and take delivery of one (1) A319-100 aircraft, thirty one (31) A320-200 aircraft and eighteen (18) A321-200 aircraft (respectively the "2010 A319 Aircraft", the "2010 A320 Aircraft" and the "2010 A321 Aircraft") upon the terms and conditions contained in this Amendment No. 9 (hereinafter for the purposes of this Amendment No.9 collectively the "2010 Incremental Aircraft.")

UNQUOTE

2.7 PREDELIVERY PAYMENT

As a result of the Aircraft conversions and rescheduling set forth in Clause 2.1, 2.2, and 2.3 above, the Parties hereby agree, that upon signature of this Amendment No. 15, [\*\*\*] being the amount previously paid by the Buyer in respect of such Aircraft and no longer due in accordance with the Predelivery Payment schedule and this amount will be applied to the next pre-delivery payments becoming due under the Agreement.

2.8 PROPULSION SYSTEM SELECTION

The Buyer hereby selects the following Propulsion Systems for Aircraft rank 96:

CFM INTERNATIONAL 56-5B3/3

3. DELIVERY SCHEDULE

With reference to Aircraft bearing rank numbers 46 to 125, the Parties hereby agree to delete clause 9.1 of the Second A320 Family Purchase Agreement, as substituted by clause 2.1.1 of Amendment No.5, as modified by clause 2 of Amendment No.7 and clauses 2 and 3 of Amendment No.8, as substituted by clause 2.1.1 of Amendment No.9, clause 5 of Amendment No.10, clause 4 of Amendment No.11, clause 5 of Amendment No.12 clause 5 of Amendment No.13 and clause 3 of Amendment No.14, in its entirety and replace it with the following:

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"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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## QUOTE

## 9.1 Delivery schedule

9.1.1 Subject to the provisions of Clauses 2, 7, 8, 10 and 18 the Seller shall have the Aircraft ready for Delivery at the Delivery Location in accordance with the following schedule:

| Scheduled Delivery Months<br>or Scheduled Delivery<br>Quarters |           | Rank<br>number | Aircraft<br>type                     | Aircraft defined as                  |                                      |
|--|-----------|----------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 2011   | July      | 53             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | July      | 55             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | August    | 46             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | September | 47             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | October   | 48             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | November  | 49             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | November  | 50             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | October   | 51             | A319-100                             | First Batch of Incremental Aircraft  |                                      |
|  | November  | 52             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | December  | 62             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | 2012      | January        | 54                                   | A319-100                             | Second Batch of Incremental Aircraft |
|  |           | March          | 76                                   | A319-100                             | 2010 Incremental Aircraft            |
| April  |           | 64             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| May  |           | 66             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| June   |           | 77             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| July   |           | 78             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| July   |           | 65             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| August   |           | 67             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| September  |           | 79             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| October  |           | 80             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| November   |           | 68             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| December   |           | 69             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| 2013   | January   | 82             | A320-200                             | 2010 Incremental Aircraft            |                                      |
|  | January   | 81             | A320-200                             | 2010 Incremental Aircraft            |                                      |
|  | February  | 56             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
|  | February  | 71             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
|  | April     | 83             | A320-200                             | 2010 Incremental Aircraft            |                                      |
|  | April     | 84             | A320-200                             | 2010 Incremental Aircraft            |                                      |
|  | May       | 73             | A320-200                             | Second Batch of incremental Aircraft |                                      |
|  | May       | 85             | A320-200                             | 2010 Incremental Aircraft            |                                      |
|  | July      | 58             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
|  | July      | 59             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| August   | 74        | A320-200       | Second Batch of Incremental Aircraft |                                      |                                      |



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|      |          |     |          |                                      |
|------|----------|-----|----------|--------------------------------------|
|      | October  | 60  | A320-200 | Second Batch of Incremental Aircraft |
|      | November | 75  | A320-200 | Second Batch of Incremental Aircraft |
|      | December | 70  | A320-200 | Second Batch of Incremental Aircraft |
| 2014 | January  | 61  | A320-200 | Second Batch of Incremental Aircraft |
|      | February | 86  | A320-200 | 2010 Incremental Aircraft            |
|      | February | 87  | A321-200 | 2010 Incremental Aircraft            |
|      | April    | 57  | A320-200 | Second Batch of incremental Aircraft |
|      | May      | 88  | A321-200 | 2010 Incremental Aircraft            |
|      | June     | 89  | A320-200 | 2010 Incremental Aircraft            |
|      | June     | 90  | A321-200 | 2010 Incremental Aircraft            |
|      | June     | 91  | A321-200 | 2010 Incremental Aircraft            |
|      | July     | 63  | A320-200 | Second Batch of Incremental Aircraft |
|      | December | 94  | A321-200 | 2010 Incremental Aircraft            |
|      | December | 98  | A321-200 | 2010 Incremental Aircraft            |
|      | December | 101 | A321-200 | 2010 Incremental Aircraft            |
| ***  | ***      | 105 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 96  | A321-200 | 2010 Incremental Aircraft            |
|      |          | 72  | A321-200 | Second Batch of Incremental Aircraft |
|      |          | 108 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 109 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 93  | A321-200 | 2010 Incremental Aircraft            |
|      |          | 110 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 111 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 103 | A321-200 | 2010 Incremental Aircraft            |
|      |          | 112 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 113 | A321-200 | 2010 Incremental Aircraft            |
| ***  | ***      | 92  | A321-200 | 2010 Incremental Aircraft            |
|      |          | 114 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 115 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 116 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 117 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 118 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 119 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 120 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 121 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 122 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 123 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 124 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 125 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 102 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 104 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 106 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 107 | A320-200 | 2010 Incremental Aircraft            |
|      |          | 95  | A321-200 | 2010 Incremental Aircraft            |
|      |          | 97  | A321-200 | 2010 Incremental Aircraft            |
| ***  | ***      | 99  | A321-200 | 2010 Incremental Aircraft            |
|      |          | 100 | A321-200 | 2010 Incremental Aircraft            |

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“\*\*\*” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



9.1.2 [\*\*\*]

9.1.3 [\*\*\*]

UNQUOTE

#### 4. EFFECT OF THE AMENDMENT

- 4.1 This Amendment No.15 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 4.2 The Purchase Agreement shall be deemed amended to the extent provided in this Amendment No.15 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 4.3 The Parties agree that this Amendment No.15 shall constitute an integral, non-severable part of the Purchase Agreement and be governed by all of its provisions.
- 4.4 In the event of any inconsistency between the terms and conditions of the Purchase Agreement and those of the present Amendment No.15, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.
- 4.5 This Amendment No.15 will not be modified or varied except by an instrument in writing executed by both Parties.
- 4.6 Each of the Parties hereto agree that the provisions of this Amendment No.15 are personal to it and will not without the prior written consent of the other Party disclose such information to any other person. However, [\*\*\*]

A320F - LAN - AMDT 15 - Second A320 Family PA  
Ref: CT1202039

10/11

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



[\*\*\*]

- 4.7 The Parties agree that clause 21 of the Second A320 Family Purchase Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No. 15.
- 4.8 This Amendment No. 15 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 4.9 This Amendment No. 15 shall be governed by and construed in accordance with the laws of England.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**IN WITNESS WHEREOF** this Amendment No.15 to the Second A320 Family Purchase Agreement was duly entered into the day and year first above written.

Agreed and Accepted  
For and on behalf of

**LATAM AIRLINES GROUP S.A.**

By: /s/ Roberto Alvo  
ROBERTO ALVO

Its: Chief Corporate Officer  
LATAM Airlines Group

Date: \_\_\_\_\_

Agreed and Accepted  
For and on behalf of

**AIRBUS S.A.S**

By: /s/ Christophe Mourey  
Christophe Mourey

Its: Senior Vice President Contracts

Date: \_\_\_\_\_

**LATAM AIRLINES GROUP S.A.**

By: 

Its:   
**ANDRÉS OSORIO H.**  
Vicepresidente Finanzas

Date: \_\_\_\_\_



**AMENDMENT No. 16**

TO THE

SECOND A320 FAMILY PURCHASE AGREEMENT

BETWEEN

**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)

AND

**AIRBUS S.A.S.**

A320F - LAN - AMDT 16 - Second A320 Family PA  
Ref: CT1202039

1/11



This amendment No.16 to the Second A320 Family Purchase Agreement (as defined below) is entered into as of 15<sup>th</sup> July, 2014, by and between

AIRBUS S.A.S., having its principal office at:  
1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “**Seller**”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having its principal office at:  
Edificio Huidobro  
Avenida Presidente Riesco 5711- 20th Floor  
Las Condes  
SANTIAGO  
CHILE

(hereinafter referred to as the “**Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”

A320F - LAN - AMDT 16 - Second A320 Family PA  
Ref: CT1202039



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## WHEREAS

- A. The Buyer and the Seller entered into an A320 family purchase agreement dated March 20<sup>th</sup>, 1998 covering the purchase by the Buyer and the sale by the Seller of twenty (20) A320 family aircraft bearing rank numbers 1 to 20. By an amendment No.1 to such purchase agreement, entered into by the Buyer and the Seller on February 24<sup>th</sup>, 2000 the number of A320 family aircraft to be purchased by the Buyer pursuant to such purchase agreement was Increased to twenty five (25), with the additional five (5) A320 family aircraft bearing rank numbers 21 to 25. Such twenty five (25) A320 family aircraft are hereinafter referred to as the “**Original A320 Family Aircraft**”, and such purchase agreement, amendment No.1, and all exhibits, appendices and letter agreements thereto are together referred to as the “**Original A320 Family Purchase Agreement**”.
- B. The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2<sup>nd</sup>, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements, the first agreement concerning the Original A320 Family Aircraft bearing rank numbers 1 to 20, and the second agreement concerning the Original A320 Family Aircraft bearing rank numbers 21 to 25. The second agreement as supplemented with all exhibits and appendices thereto is hereinafter referred to as the “**Second A320 Family Purchase Agreement**”.
- C. The Buyer and the Seller entered into an amendment No.1 to the Second A320 Family Purchase Agreement dated November 14<sup>th</sup> 2003 (the “**Amendment No.1**”) modifying certain provisions of the Second A320 Family Purchase Agreement.
- D. The Buyer and the Seller entered into an amendment No.2 to the Second A320 Family Purchase Agreement dated October 4<sup>th</sup>, 2005 (the “**Amendment No.2**”) covering the purchase by the Buyer and the sale by the Seller of twenty five (25) additional firm A320 family aircraft comprising twenty (20) A318-100, one (1) A319-100 and four (4) A320-200 aircraft type (the “**Additional Aircraft**”).
- E. The Buyer and the Seller entered into an amendment No.3 to the Second A320 Family Purchase Agreement dated March 6<sup>th</sup>, 2007 (the “**Amendment No.3**”) covering the conversion of fifteen (15) Option Aircraft (as defined in the Amendment No.2) into firmly ordered Converted Aircraft (as defined in Amendment No.3).
- F. The Buyer and the Seller entered into an amendment No. 4 to the Second A320 Family Purchase Agreement dated June 11<sup>th</sup>, 2008 (the “**Amendment No.4**”) covering the conversion of five (5) A318-100 Additional Aircraft bearing rank Nos. 26 to 30 as set forth in Amendment No.2 and three (3) A318-100 Converted Aircraft bearing rank Nos. 37, 40 and 43 as set forth in Amendment No.3, into A319 aircraft type.
- G. The Buyer and the Seller entered into an amendment No. 5 to the Second A320 Family Purchase Agreement dated December 23<sup>rd</sup> 2009 (the “**Amendment No.5**”) covering the order of thirty (30) incremental A319-100 and A320-200 aircraft (the “**Incremental Aircraft**”) and amending certain provisions of the Second A320 Family Purchase Agreement.





- H. [\*\*\*]
- I. The Buyer and the Seller entered into an amendment No. 6 to the Second A320 Family Purchase Agreement dated May 10<sup>th</sup>, 2010 (the “**Amendment No.6**”) covering the conversion of the aircraft type of three (3) A319-100 First Batch of Incremental Aircraft (as defined in the Amendment No.5) into firmly ordered A320-200 First Batch Incremental Aircraft and the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Eleven (11) Aircraft from the Second Batch of Incremental Aircraft (as defined in the Amendment No.5).
- J. The Buyer and the Seller entered into an amendment No. 7 to the Second A320 Family Purchase Agreement dated May 19<sup>th</sup>, 2010 (the “**Amendment No.7**”) covering the advancement of the scheduled delivery positions of Three (3) Converted Aircraft.
- K. The Buyer and the Seller entered into an amendment No. 8 to the Second A320 Family Purchase Agreement dated September 23<sup>rd</sup>, 2010 (the “**Amendment No.8**”) covering (i) the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Two (2) Aircraft from the Second Batch of Incremental Aircraft and (ii) the conversion of the aircraft type of one (1) A319-100 from the Second Batch of Incremental Aircraft into firmly ordered A320-200 from the Second Batch Incremental Aircraft.
- L. The Buyer and the Seller entered into an amendment No. 9 to the Second A320 Family Purchase Agreement dated December 21<sup>st</sup> 2010 (the “**Amendment No.9**”) covering the order of fifty (50) incremental A319-100, A320-200 and A321-200 aircraft, and, amending certain provisions of the Second A320 Family Purchase Agreement.
- M. [\*\*\*]
- N. The Buyer and the Seller entered into an amendment No. 10 to the Second A320 Family Purchase Agreement dated June 10<sup>th</sup> 2011 (the “**Amendment No.10**”) covering (i) the conversion of certain Aircraft type, (ii) the Sharklets selection for certain Aircraft, and (iii) the notification of the scheduled delivery months for the Aircraft scheduled to be delivered in the fourth quarter 2012 and the first quarter 2013.
- O. The Buyer and the Seller entered into an amendment No. 11 to the Second A320 Family Purchase Agreement (the “**Amendment No.11**”) covering (i) the postponement of certain Aircraft scheduled delivery position, and (ii) the conversion of certain Aircraft type.
- P. The Buyer and the Seller entered into amendment No. 12 to the Second A320 Family Purchase Agreement (the “**Amendment No. 12**”) covering (i) the conversion of three (3) Aircraft type with rank number 61, rank number 63 and rank number 89, (ii) the identification of certain Aircraft as Sharklet Installed Aircraft and others as Sharklet Capable Aircraft, and (iii) the notification of the Scheduled Delivery Month for certain Aircraft.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- Q. The Buyer and the Seller entered into amendment No. 13 to the Second A320 Family Purchase Agreement (the “**Amendment No. 13**”) covering, among other related commercial matters, (i) the conversion of certain Aircraft type and (ii) the [\*\*\*] of certain Aircraft scheduled delivery months/quarters.
- R. The Buyer and the Seller entered into amendment No. 14 to the Second A320 Family Purchase Agreement (the “**Amendment No. 14**”) covering the [\*\*\*] of the Scheduled Delivery Month of one Aircraft.
- S. The Buyer converted three Aircraft identified by rank 114, 115 and 116 from A319-100 Aircraft to A320-200 Aircraft by providing notice to the Seller on [\*\*\*]
- T. The Buyer and the Seller entered into amendment No. 15 to the Second A320 Family Purchase Agreement (the “**Amendment No. 15**”) covering the rescheduling of the Scheduled Delivery Month of certain Aircraft.
- U. The Buyer and the Seller entered into an A320 NEO Purchase Agreement, dated June 22, 2011, as amended, supplemented or otherwise modified to and including the date hereof (the “**A320 NEO Purchase Agreement**”) whereby the Seller shall sell and deliver and the Buyer shall take delivery of certain A320 neo aircraft (the “**A320 NEO Aircraft**”).
- V. The Buyer and the Seller wish to enter into this amendment No. 16 to the Second A320 Family Purchase Agreement (the “**Amendment No. 16**”) covering [\*\*\*] conversion of certain Aircraft.

NOW IT IS HEREBY AGREED AS FOLLOWS:

0. **DEFINITIONS**

- 0.1. The terms “herein,” “hereof,” and “hereunder” and words of similar import refer to this Amendment No.16 and capitalized terms used herein and not otherwise defined in this Amendment No.16 will have the meanings assigned to them in the Purchase Agreement (as defined below).
- 0.2. Purchase Agreement means the Second A320 Family Purchase Agreement together with Amendments Nos.1 to 15 thereto.

1. **SCOPE**

- 1.1 The Buyer has requested and the Seller has agreed to hereby [\*\*\*] convert twelve (12) 2010 Incremental Aircraft which are subject to the Purchase Agreement to A320 NEO Aircraft as set forth in Clause 2 below.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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1.2 [\*\*\*]

2. AIRCRAFT DELIVERIES

- 2.1 The Buyer has requested and the Seller has agreed to [\*\*\*] except as otherwise specified in this Amendment No. 16 and the Second BSA.
- 2.2 The Buyer has requested and the Seller has agreed to hereby convert 12 (twelve) Aircraft identified in Clause 9.1.1 of the Purchase Agreement by rank number 114 through and including rank number 125 to A320 NEO Aircraft (as such term is defined above) and such Aircraft will be cancelled in this Agreement and the Parties will have no further rights or obligations in respect of such Aircraft except as otherwise specified in this Amendment No. 16 and such A320 NEO Aircraft will be firmly ordered by the Buyer pursuant to the A320 NEO Purchase Agreement, as amended by amendment No.2 to such agreement.
- 2.3 As a result of the Aircraft conversions [\*\*\*] set forth in clauses 2.1 and 2.2 above the Parties agree to delete in its entirety clause 1.1 of Amendment No.9 as amended and replace it as follows:

QUOTE

1.1. "The Seller shall sell and deliver and the Buyer shall buy and take delivery of one (1) A319-100 aircraft, fifteen (15) A320-200 aircraft and eighteen (18) A321-200 aircraft (respectively the "2010 A319 Aircraft", the "2010 A320 Aircraft" and the "2010 A321 Aircraft") upon the terms and conditions contained in this Amendment No.9 (hereinafter for the purposes of this Amendment No.9 collectively the "2010 Incremental Aircraft.")

UNQUOTE

2.4 PREDELIVERY PAYMENT

As a result of the Aircraft [\*\*\*] conversions set forth in Clause 2.1 and 2.2 above, the Parties hereby agree, that upon signature of this Amendment No. 16, [\*\*\*] being the amount previously paid by the Buyer in respect of such Aircraft and no longer due in accordance with the Purchase Agreement and from such amount [\*\*\*] in accordance with the terms [\*\*\*] and the balance in the amount of [\*\*\*] will be applied to the next pre-delivery payments becoming due under the Purchase Agreement.

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"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



3. DELIVERY SCHEDULE

With reference to Aircraft bearing rank numbers 46 to 125, the Parties hereby agree to delete clause 9.1 of the Second A320 Family Purchase Agreement, as substituted by clause 2.1.1 of Amendment No.5, as modified by clause 2 of Amendment No.7 and clauses 2 and 3 of Amendment No.8, as substituted by clause 2.1.1 of Amendment No.9, clause 5 of Amendment No.10, clause 4 of Amendment No.11, clause 5 of Amendment No.12 clause 5 of Amendment No.13, clause 3 of Amendment No.14 and clause 3 of Amendment No.15, in its entirety and replace it with the following:

QUOTE

9.1 Delivery schedule

9.1.1 Subject to the provisions of Clauses 2, 7, 8, 10 and 18 the Seller shall have the Aircraft ready for Delivery at the Delivery Location in accordance with the following schedule:

| Scheduled Delivery Months<br>or Scheduled Delivery<br>Quarters |           | Rank<br>number | Aircraft<br>type                     | Aircraft defined as                  |                                      |
|--|-----------|----------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 2011   | July      | 53             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | July      | 55             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | August    | 46             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | September | 47             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | October   | 48             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | November  | 49             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | November  | 50             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | October   | 51             | A319-100                             | First Batch of Incremental Aircraft  |                                      |
|  | November  | 52             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | December  | 62             | A320-200                             | First Batch of Incremental Aircraft  |                                      |
|  | 2012      | January        | 54                                   | A319-100                             | Second Batch of Incremental Aircraft |
|  |           | March          | 76                                   | A319-100                             | 2010 Incremental Aircraft            |
| April  |           | 64             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| May  |           | 66             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| June   |           | 77             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| July   |           | 78             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| July   |           | 65             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| August   |           | 67             | A320-200                             | Second Batch of Incremental Aircraft |                                      |
| September  |           | 79             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| October  |           | 80             | A320-200                             | 2010 Incremental Aircraft            |                                      |
| November   | 68        | A320-200       | Second Batch of Incremental Aircraft |                                      |                                      |

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|             |          |     |          |                                      |
|-------------|----------|-----|----------|--------------------------------------|
|             | December | 69  | A320-200 | Second Batch of Incremental Aircraft |
| <b>2013</b> | January  | 82  | A320-200 | 2010 Incremental Aircraft            |
|             | January  | 81  | A320-200 | 2010 Incremental Aircraft            |
|             | February | 56  | A320-200 | Second Batch of Incremental Aircraft |
|             | February | 71  | A320-200 | Second Batch of Incremental Aircraft |
|             | April    | 83  | A320-200 | 2010 Incremental Aircraft            |
|             | April    | 84  | A320-200 | 2010 Incremental Aircraft            |
|             | May      | 73  | A320-200 | Second Batch of Incremental Aircraft |
|             | May      | 85  | A320-200 | 2010 Incremental Aircraft            |
|             | July     | 58  | A320-200 | Second Batch of Incremental Aircraft |
|             | July     | 59  | A320-200 | Second Batch of Incremental Aircraft |
|             | August   | 74  | A320-200 | Second Batch of Incremental Aircraft |
|             | October  | 60  | A320-200 | Second Batch of Incremental Aircraft |
|             | November | 75  | A320-200 | Second Batch of incremental Aircraft |
|             | December | 70  | A320-200 | Second Batch of Incremental Aircraft |
| <b>2014</b> | January  | 61  | A320-200 | Second Batch of Incremental Aircraft |
|             | February | 86  | A320-200 | 2010 Incremental Aircraft            |
|             | February | 87  | A321-200 | 2010 Incremental Aircraft            |
|             | April    | 57  | A320-200 | Second Batch of Incremental Aircraft |
|             | May      | 88  | A321-200 | 2010 Incremental Aircraft            |
|             | June     | 89  | A320-200 | 2010 Incremental Aircraft            |
|             | June     | 90  | A321-200 | 2010 Incremental Aircraft            |
|             | June     | 91  | A321-200 | 2010 Incremental Aircraft            |
|             | July     | 63  | A320-200 | Second Batch of Incremental Aircraft |
|             | December | 94  | A321-200 | 2010 Incremental Aircraft            |
|             | December | 98  | A321-200 | 2010 Incremental Aircraft            |
|             | December | 101 | A321-200 | 2010 Incremental Aircraft            |
| [***] [***] |          | 105 | A321-200 | 2010 Incremental Aircraft            |
|             |          | 96  | A321-200 | 2010 Incremental Aircraft            |
|             |          | 72  | A321-200 | Second Batch of Incremental Aircraft |
|             |          | 108 | A320-200 | 2010 Incremental Aircraft            |
|             |          | 109 | A321-200 | 2010 Incremental Aircraft            |
|             |          | 93  | A321-200 | 2010 Incremental Aircraft            |
|             |          | 110 | A320-200 | 2010 Incremental Aircraft            |
|             |          | 111 | A320-200 | 2010 Incremental Aircraft            |
|             |          | 103 | A321-200 | 2010 Incremental Aircraft            |
|             |          | 112 | A320-200 | 2010 Incremental Aircraft            |
|             |          | 113 | A321-200 | 2010 Incremental Aircraft            |
| [***] [***] |          | 92  | A321-200 | 2010 Incremental Aircraft            |
|             |          | 95  | A321-200 | 2010 Incremental Aircraft            |
| [***] [***] |          | 97  | A321-200 | 2010 Incremental Aircraft            |
|             |          | 99  | A321-200 | 2010 Incremental Aircraft            |
|             |          | 100 | A321-200 | 2010 Incremental Aircraft            |

9.1.2 [\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



9.1.3 [\*\*\*]

UNQUOTE

**4. EFFECT OF THE AMENDMENT**

- 4.1 This Amendment No.16 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 4.2 The Purchase Agreement shall be deemed amended to the extent provided in this Amendment No.16 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 4.3 The Parties agree that this Amendment No.16 shall constitute an integral, non-severable part of the Purchase Agreement and be governed by all of its provisions.
- 4.4 In the event of any inconsistency between the terms and conditions of the Purchase Agreement and those of the present Amendment No.16, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.
- 4.5 This Amendment No.16 will not be modified or varied except by an instrument in writing executed by both Parties.
- 4.6 Each of the Parties hereto agree that the provisions of this Amendment No.16 are personal to it and will not without the prior written consent of the other Party disclose such information to any other person. However, [\*\*\*]
- 4.7 The Parties agree that clause 21 of the Second A320 Family Purchase Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No.16.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LATAM AIRLINES GROUP**

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- 4.8 This Amendment No.16 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 4.9 This Amendment No.16 shall be governed by and construed in accordance with the laws of England.

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IN WITNESS WHEREOF this Amendment No.16 to the Second A320 Family Purchase Agreement was duly entered into the day and year first above written.

Agreed and Accepted

Agreed and Accepted

For and on behalf of

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

**AIRBUS S.A.S**

By: /s/ ROBERTO ALVO  
ROBERTO ALVO

By: \_\_\_\_\_

Its: Chief Corporate Office  
LATAM Airlines Group

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**LATAM AIRLINES GROUP S.A.**  
  
By: \_\_\_\_\_

**LAN X TAM**  
Its: **ANDRES DEL VALLE E.**  
Director Senior  
Finanzas Corporativas

Date: \_\_\_\_\_

**LAN X TAM**  
ELYIRA VIAL  
Abogada Senior  
LATAM Airlines Group  
*ev*





**AMENDMENT No.17**  
TO THE  
SECOND A320 FAMILY PURCHASE AGREEMENT  
BETWEEN  
**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)  
AND  
**AIRBUS S.A.S.**

A320F - LAN - AMDT 17 - Second A320 Family PA  
Ref: CT1202039



This amendment No.17 to the Second A320 Family Purchase Agreement (as defined below) is entered into as of December 11, 2014, by and between

AIRBUS S.A.S., having its principal office at:

1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “**Seller**”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having its principal office at:

Edificio Huidobro  
Avenida Presidente Riesco 5711- 20th Floor  
Las Condes  
SANTIAGO  
CHILE

(hereinafter referred to as the “**Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”

A320F - LAN - AMDT 17 - Second A320 Family PA  
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WHEREAS

- A. The Buyer and the Seller entered into an A320 family purchase agreement dated March 20th, 1998 covering the purchase by the Buyer and the safe by the Seller of twenty (20) A320 family aircraft bearing rank numbers 1 to 20. By an amendment No.1 to such purchase agreement, entered into by the Buyer and the Seller on February 24th, 2000 the number of A320 family aircraft to be purchased by the Buyer pursuant to such purchase agreement was increased to twenty five (25), with the additional five (5) A320 family aircraft bearing rank numbers 21 to 25. Such twenty five (25) A320 family aircraft are hereinafter referred to as the "Original A320 Family Aircraft", and such purchase agreement, amendment No.1, and all exhibits, appendices and letter agreements thereto are together referred to as the "Original A320 Family Purchase Agreement".
- B. The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2nd, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements, the first agreement concerning the Original A320 Family Aircraft bearing rank numbers 1 to 20, and the second agreement concerning the Original A320 Family Aircraft bearing rank numbers 21 to 25. The second agreement as supplemented with all exhibits and appendices thereto is hereinafter referred to as the "Second A320 Family Purchase Agreement".
- C. The Buyer and the Seller entered into an amendment No.1 to the Second A320 Family Purchase Agreement dated November 14th, 2003 (the "Amendment No.1") modifying certain provisions of the Second A320 Family Purchase Agreement.
- D. The Buyer and the Seller entered into an amendment No.2 to the Second A320 Family Purchase Agreement dated October 4th, 2005 (the "Amendment No.2") covering the purchase by the Buyer and the sale by the Seller of twenty five (25) additional firm A320 family aircraft comprising twenty (20) A318-100, one (1) A319-100 and four (4) A320-200 aircraft type (the "Additional Aircraft").
- E. The Buyer and the Saller entered into an amendment No.3 to the Second A320 Family Purchase Agreement dated March 6th, 2007 (the "Amendment No.3") covering the conversion of fifteen (15) Option Aircraft (as defined in the Amendment No.2) into firmly ordered Converted Aircraft (as defined in Amendment No.3).
- F. The Buyer and the Seller entered into an amendment No. 4 to the Second A320 Family Purchase Agreement dated June 11th, 2008 (the "Amendment No.4") covering the conversion of five (5) A318-100 Additional Aircraft bearing rank Nos. 26 to 30 as set forth in Amendment No.2 and three (3) A318-100 Converted Aircraft bearing rank Nos. 37, 40 and 43 as set forth in Amendment No.3, into A319 aircraft type.
- G. The Buyer and the Seller entered into an amendment No. 5 to the Second A320 Family Purchase Agreement dated December 23rd, 2009 (the "Amendment No.5") covering the order of thirty (30) incremental A319-100 and A320-200 aircraft (the "Incremental Aircraft") and amending certain provisions of the Second A320 Family Purchase Agreement.



- H. [\*\*\*]
- I. The Buyer and the Seller entered into an amendment No. 6 to the Second A320 Family Purchase Agreement dated May 10th, 2010 (the "Amendment No.6") covering the conversion of the aircraft type of three (3) A319-100 First Batch of Incremental Aircraft (as defined in the Amendment No.5) into firmly ordered A320-200 First Batch Incremental Aircraft and the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Eleven (11) Aircraft from the Second Batch of Incremental Aircraft (as defined in the Amendment No.5).
- J. The Buyer and the Seller entered into an amendment No. 7 to the Second A320 Family Purchase Agreement dated May 19th, 2010 (the "Amendment No.7") covering the advancement of the scheduled delivery positions of Three (3) Converted Aircraft.
- K. The Buyer and the Seller entered into an amendment No. 8 to the Second A320 Family Purchase Agreement dated September 23rd, 2010 (the "Amendment No.8") covering (i) the advancement of the scheduled delivery positions of Two (2) Aircraft from the First Batch of Incremental Aircraft and Two (2) Aircraft from the Second Batch of Incremental Aircraft and (II) the conversion of the aircraft type of one (1) A319-100 from the Second Batch of Incremental Aircraft into firmly ordered A320-200 from the Second Batch Incremental Aircraft.
- L. The Buyer and the Seller entered into an amendment No. 9 to the Second A320 Family Purchase Agreement dated December 21<sup>st</sup> 2010 (the "Amendment No.9") covering the order of fifty (50) incremental A319-100, A320-200 and A321-200 aircraft, and, amending certain provisions of the Second A320 Family Purchase Agreement.
- M. [\*\*\*]
- N. The Buyer and the Seller entered into an amendment No. 10 to the Second A320 Family Purchase Agreement dated June 10<sup>th</sup> 2011 (the "Amendment No.10") covering (i) the conversion of certain Aircraft type, (ii) the Sharklets selection for certain Aircraft, and (iii) the notification of the scheduled delivery months for the Aircraft scheduled to be delivered in the fourth quarter 2012 and the first quarter 2013.
- O. The Buyer and the Seller entered into an amendment No. 11 to the Second A320 Family Purchase Agreement dated November 8<sup>th</sup> 2011 (the "Amendment No.11") covering (i) the postponement of certain Aircraft scheduled delivery position, and (ii) the conversion of certain Aircraft type.
- P. The Buyer and the Seller entered into amendment No. 12 to the Second A320 Family Purchase Agreement November 19<sup>th</sup> 2012 (the "Amendment No.12") covering (i) the conversion of three (3) Aircraft type with rank number 61, rank number 63 and rank number 89, (ii) the identification of certain Aircraft as Sharklet Installed Aircraft and others as Sharklet Capable Aircraft, and (iii) the notification of the Scheduled Delivery Month for certain Aircraft.



- Q. The Buyer and the Seller entered into amendment No. 13 to the Second A320 Family Purchase Agreement August 19<sup>th</sup> 2013 (the “Amendment No. 13”) covering, among other related commercial matters, (i) the conversion of certain Aircraft type and (ii) the [\*\*\*] of certain Aircraft scheduled delivery months/quarters.
- R. The Buyer and the Seller entered into amendment No. 14 to the Second A320 Family Purchase Agreement March 31<sup>st</sup> 2014 (the “Amendment No. 14”) covering the of [\*\*\*] the Scheduled Delivery Month of one Aircraft.
- S. The Buyer converted three Aircraft Identified by rank 114, 115 and 116 from A319-100 Aircraft to A320-200 Aircraft by providing notice to the Seller on [\*\*\*]
- T. The Buyer and the Seller entered Into amendment No. 15 to the Second A320 Family Purchase Agreement May 16<sup>th</sup> 2014 (the “Amendment No. 15”) covering the rescheduling of the Scheduled Delivery Month of certain Aircraft.
- U. The Buyer and the Seller entered into an A320 NEO Purchase Agreement, dated June 22, 2011, as amended, supplemented or otherwise modified to and including the date hereof (the “A320 NEO Purchase Agreement”) whereby the Seller shall sell and deliver and the Buyer shall take delivery of certain A320neo aircraft (the “A320 NEO Aircraft”) and A321neo aircraft (“A321 NEO Aircraft”).
- V. The Buyer and the Seller entered into amendment No. 16 to the Second A320 Family Purchase Agreement July 15<sup>th</sup> 2014 (the “Amendment No. 16”) covering [\*\*\*] conversion of certain Aircraft.
- W. TAM Linhas Aereas S.A. (the “Original Buyer”) and the Seller have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Original Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which , together with all exhibits, appendixes, and as amended supplemented or otherwise modified is hereinafter referred to as the “Original TAM Agreement”.
- X. The Buyer, Seller and Original Buyer entered into a novation agreement dated 30 October 2014 (the “Novation”) novating the Original TAM Agreement from the Original Buyer to the Buyer (the Original TAM Agreement as novated pursuant to the Novation is hereinafter referred to as the “TAM A320 Agreement”)
- Y. The Buyer and the Seller wish to enter into this amendment No. 17 to the Second A320 Family Purchase Agreement (the “**Amendment No. 17**”) covering the conversion of certain Aircraft.

NOW IT IS HEREBY AGREED AS FOLLOWS:

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Ref: CT1202039

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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0. DEFINITIONS

- 0.1. The terms “herein,” “hereof,” and “hereunder” and words of similar Import refer to this Amendment No.17 and capitalized terms used herein and not otherwise defined In this Amendment No.17 will have the meanings assigned to them in the Purchase Agreement (as defined below).
- 0.2. Purchase Agreement means the Second A320 Family Purchase Agreement together with Amendments Nos.1 to 16 thereto.

1. SCOPE

- 1.1 The Buyer has requested and the Seller has agreed to hereby i) convert 4 (four) 2010 Incremental Aircraft of the A320 type which are subject to the Purchase Agreement to A320 NEO Aircraft and ii) convert 4 (four) 2010 Incremental Aircraft of the A321 type which are subject to the Purchase Agreement to A321 NEO Aircraft, as set forth in Clause 2 below.
- 1.2 [\*\*\*]

2. AIRCRAFT DELIVERIES

- 2.1 The Buyer has requested and the Seller has agreed to hereby convert 4 (four) Aircraft Identified in Clause 9.1.1 of the Purchase Agreement by rank numbers 108, 110,111 and 112 to A320 NEO Aircraft (as such term is defined above) and such Aircraft will be cancelled in this Agreement and the Parties will have no further rights or obligations in respect of such Aircraft except as otherwise specified in this Amendment No. 17 and such A320 NEO Aircraft will be firmly ordered by the Buyer pursuant to the A320 NEO Purchase Agreement, as amended by amendment No.3 to such agreement.
- 2.2 The Buyer has requested and the Seller has agreed to hereby convert 4 (four) Aircraft identified in Clause 9.1.1 of the Purchase Agreement by rank numbers 95, 97, 99 and 100 to A321 NEO Aircraft (as such term is defined above) and such Aircraft will be cancelled in this Agreement and the Parties will have no further rights or obligations in respect of such Aircraft except as otherwise specified in this Amendment No. 17 and such A321 NEO Aircraft will be firmly ordered by the Buyer pursuant to the A320 NEO Purchase Agreement, as amended by amendment No.3 to such agreement.
- 2.3 As a result of the Aircraft conversions set forth in clauses 2.1 and 2.2 above the Parties agree to delete in its entirety clause 1.1 of Amendment No.9 as amended and replace it as follows:

A320F - LAN - AMDT 17 - Second A320 Family PA  
Ref: CT1202039

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



QUOTE

1.1. The Seller shall sell and deliver and the Buyer shall buy and take delivery of one (1) A319-100 aircraft, eleven (11) A320-200 aircraft and fourteen (14) A321-200 aircraft (respectively the "2010 A319 Aircraft", the "2010 A320 Aircraft" and the "2010 A321 Aircraft") upon the terms and conditions contained in this Amendment No.9 (hereinafter for the purposes of this Amendment No.9 collectively the "2010 Incremental Aircraft")

UNQUOTE

2.4 PREDELIVERY PAYMENT

As a result of the Aircraft cancellations and conversions set forth in Clause 2.1 and 2.2 above, the Parties hereby agree. that upon signature of this Amendment No. 17 [\*\*\*] being the amount previously paid by the Buyer in respect of such Aircraft and no longer due in accordance with the Purchase Agreement and from such amount [\*\*\*] [\*\*\*] and [\*\*\*] as amended as of the date hereof, and the balance in the amount of [\*\*\*] will be applied to [\*\*\*]

3. DELIVERY SCHEDULE

With reference to Aircraft bearing rank numbers 46 to 125, the Parties hereby agree to delete clause 9.1 of the Second A320 Family Purchase Agreement, as substituted by clause 2.1.1 of Amendment No.5. as modified by clause 2 of Amendment No.7 and clauses 2 and 3 of Amendment N0.8, as substituted by clause 2.1.1 of Amendment No.9, clause 5 of Amendment No.10, clause 4 of Amendment No.11, clause 5 of Amendment No.12 clause 5 of Amendment No.13, clause 3 of Amendment No.14 clause 3 of Amendment No.15 end clause 3 of Amendment No.16, in its entirety and replace it with the following:

QUOTE

9.1 Delivery schedule

9.1.1 Subject to the provisions of Clauses 2, 7, 8, 10 and 18 the Seller shall have the Aircraft ready for Delivery at the Delivery Location in accordance with the following schedule:

A320F - LAN - AMDT 17 - Second A320 Family PA  
Ref: CT1202039

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| Scheduled Delivery Months<br>or Scheduled Delivery<br>Quarters |           | Rank<br>number | Aircraft<br>type | Aircraft defined as                  |
|--|-----------|----------------|------------------|--------------------------------------|
| 2011   | July      | 53             | A320-200         | First Batch of Incremental Aircraft  |
|  | July      | 55             | A320-200         | First Batch of Incremental Aircraft  |
|  | August    | 46             | A320-200         | First Batch of Incremental Aircraft  |
|  | September | 47             | A320-200         | First Batch of Incremental Aircraft  |
|  | October   | 48             | A320-200         | First Batch of Incremental Aircraft  |
|  | November  | 49             | A320-200         | First Batch of Incremental Aircraft  |
|  | November  | 50             | A320-200         | First Batch of incremental Aircraft  |
|  | October   | 51             | A319-100         | First Batch of Incremental Aircraft  |
|  | November  | 52             | A320-200         | First Batch of Incremental Aircraft  |
|  | December  | 62             | A320-200         | First Batch of Incremental Aircraft  |
| 2012   | January   | 54             | A319-100         | Second Batch of Incremental Aircraft |
|  | March     | 76             | A319-100         | 2010 Incremental Aircraft            |
|  | April     | 64             | A320-200         | Second Batch of Incremental Aircraft |
|  | May       | 66             | A320-200         | Second Batch of Incremental Aircraft |
|  | June      | 77             | A320-200         | 2010 Incremental Aircraft            |
|  | July      | 78             | A320-200         | 2010 Incremental Aircraft            |
|  | July      | 65             | A320-200         | Second Batch of Incremental Aircraft |
|  | August    | 67             | A320-200         | Second Batch of Incremental Aircraft |
|  | September | 79             | A320-200         | 2010 Incremental Aircraft            |
|  | October   | 80             | A320-200         | 2010 Incremental Aircraft            |
|  | November  | 68             | A320-200         | Second Batch of Incremental Aircraft |
|  | December  | 69             | A320-200         | Second Batch of Incremental Aircraft |
| 2013   | January   | 82             | A320-200         | 2010 Incremental Aircraft            |
|  | January   | 81             | A320-200         | 2010 Incremental Aircraft            |
|  | February  | 56             | A320-200         | Second Batch of Incremental Aircraft |
|  | February  | 71             | A320-200         | Second Batch of Incremental Aircraft |
|  | April     | 83             | A320-200         | 2010 Incremental Aircraft            |
|  | April     | 84             | A320-200         | 2010 Incremental Aircraft            |
|  | May       | 73             | A320-200         | Second Batch of Incremental Aircraft |
|  | May       | 85             | A320-200         | 2010 Incremental Aircraft            |
|  | July      | 58             | A320-200         | Second Batch of Incremental Aircraft |
|  | July      | 59             | A320-200         | Second Batch of Incremental Aircraft |
|  | August    | 74             | A320-200         | Second Batch of Incremental Aircraft |
|  | October   | 60             | A320-200         | Second Batch of incremental Aircraft |
|  | November  | 75             | A320-200         | Second Batch of Incremental Aircraft |
|  | December  | 70             | A320-200         | Second Batch of Incremental Aircraft |
| 2014   | January   | 61             | A320-200         | Second Batch of Incremental Aircraft |
|  | February  | 86             | A320-200         | 2010 Incremental Aircraft            |
|  | February  | 87             | A321-200         | 2010 Incremental Aircraft            |
|  | April     | 57             | A320-200         | Second Batch of Incremental Aircraft |
|  | May       | 88             | A321-200         | 2010 Incremental Aircraft            |
|  | June      | 89             | A320-200         | 2010 Incremental Aircraft            |
|  | June      | 90             | A321-200         | 2010 Incremental Aircraft            |





|             |     |          |                                      |
|-------------|-----|----------|--------------------------------------|
| June        | 91  | A321-200 | 2010 Incremental Aircraft            |
| July        | 63  | A320-200 | Second Batch of Incremental Aircraft |
| December    | 94  | A321-200 | 2010 Incremental Aircraft            |
| December    | 98  | A321-200 | 2010 Incremental Aircraft            |
| December    | 101 | A321-200 | 2010 Incremental Aircraft            |
| [***] [***] | 105 | A321-200 | 2010 Incremental Aircraft            |
|             | 96  | A321-200 | 2010 Incremental Aircraft            |
|             | 72  | A321-200 | Second Batch of Incremental Aircraft |
|             | 109 | A321-200 | 2010 Incremental Aircraft            |
|             | 93  | A321-200 | 2010 Incremental Aircraft            |
|             | 103 | A321-200 | 2010 Incremental Aircraft            |
| [***] [***] | 113 | A321-200 | 2010 Incremental Aircraft            |
|             | 92  | A321-200 | 2010 Incremental Aircraft            |

9.1.2 [\*\*\*]

9.1.3 [\*\*\*]

UNQUOTE

4. [\*\*\*]

Clause 3.2 of Letter Agreement No. 1 to Amendment No.13 to the Purchase Agreement is hereby deleted In its entirety and replace it as follows:

A320F - LAN - AMDT 17 - Second A320 Family PA  
Ref: CT1202039

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



QUOTE

3.2 Special Condition

[\*\*\*]

[\*\*\*]

UNQUOTE

A320F - LAN - AMDT 17 - Second A320 Family PA  
Ref: CT1202039

Page 10 of 12

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



5. EFFECT OF THE AMENDMENT

- 5.1 This Amendment No.17 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 5.2 The Purchase Agreement shall be deemed amended to the extent provided in this Amendment No.17 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 5.3 The Parties agree that this Amendment No.17 shall constitute an integral, non-severable part of the Purchase Agreement and be governed by all of its provisions.
- 5.4 In the event of any inconsistency between the terms and conditions of the Purchase Agreement and those of the present Amendment No.17, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.
- 5.5 This Amendment No.17 will not be modified or varied except by an instrument in writing executed by both Parties.
- 5.6 Each of the Parties hereto agree that the provisions of this Amendment No.17 are personal to it and will not without the prior written consent of the other Party disclose such information to any other person. However,

[\*\*\*]

- 5.7 The Parties agree that clause 21 of the Second A320 Family Purchase Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No.17.
- 5.8 This Amendment No.17 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 5.9 This Amendment No.17 shall be governed by and construed in accordance with the laws of England.

A320F - LAN - AMDT 17 - Second A320 Family PA  
Ref: CT1202039

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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IN WITNESS WHEREOF this Amendment No.17 to the Second A320 Family Purchase Agreement was duly entered into the day and year first above written.

Agreed and Accepted

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

Agreed and Accepted

For and on behalf of

**AIRBUS S.A.S**

**Christophe Mourey**  
**Senior Vice President Contracts**

By: /s/ [eligible]  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**LATAM AIRLINES GROUP S.A.**  
  
By: \_\_\_\_\_  
**LAN**  
Its: **ANDRES DEL VALLE E.**  
Director Senior  
Finanzas Corporativas

Date: \_\_\_\_\_

**LAN**  
**ELYRA VIAL**  
Abogada Senior  
LATAM Airlines Group



**Exhibit 4.1.9**

**NOVATION AGREEMENT**

relating to an A320 Family/A330 Purchase Agreement – CCC.337.0068/06

between

**TAM LINHAS AEREAS S.A.**  
as Original Buyer

and

**LATAM AIRLINES GROUP S.A.**  
as New Buyer

and

**AIRBUS S.A.S.**  
as Seller

Novation Agreement CCC.337.0068/06

Page 1 of 8

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Novation Agreement CCC.337.0068/06

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



THIS NOVATION AGREEMENT is made the 30<sup>th</sup> day of October 2014

**BETWEEN:**

- (1) **TAM Linhas Aereas S.A.**, a company organised under the laws of Brazil, having its registered office at Avenida Jurandir, 856, 4<sup>o</sup> andar, Lote 4, CEP 04072 - 000, Jardim CECL, Sao Paulo – SP, Brazil (the “Original Buyer”);
- (2) **LATAM Airlines Group S.A.**, a company organised under the laws of Chile, having its registered office at Edificio Huidobro, Avenida Presidente Riesco 5711 - 20<sup>th</sup> Floor, Las Condes, Santiago, Chile (the “New Buyer”); and
- (3) **AIRBUS S.A.S.**, a *société par actions simplifiée*, created and existing under French law having its registered office at 1 Rond-Point Maurice Bellonte, 31707 Blagnac-Cedex, France and registered with the Toulouse *Registre du Commerce et des Sociétés* under number RCS Toulouse 383 474 814 (the “Seller”).

**WHEREAS:**

- (A) By an A320 Family / A330 purchase agreement (reference CCC.337.0068/06) between the Seller and the Original Buyer dated 14 November 2006 as amended or supplemented as at the date hereof, together with all its exhibits, schedules, letter agreements and appendices (the “Purchase Agreement”), the Seller agreed to sell and the Original Buyer agreed to purchase certain A320 family and A330 aircraft including the Airframe, the Propulsion Systems and any part, component, furnishing or equipment installed thereon (the “Aircraft”).
- (B) It has been agreed by the Parties hereto that the New Buyer shall assume the rights, liabilities and obligations of the Original Buyer under the Purchase Agreement (as more particularly defined below) and that the Original Buyer should be released from its liabilities and obligations under the Purchase Agreement upon the terms and conditions set out herein.

**NOW THEREFORE**, in consideration of the provisions and mutual covenants herein contained and for good and valuable consideration **IT IS AGREED** as follows:

**1 Definitions and Interpretation**

1.1 In this Agreement the following expressions shall, except where the context otherwise requires, have the following respective meanings:

**Aircraft** means the aircraft described more particularly in Recital (A)

**Agreement** means this novation agreement (including the Recitals).

**Business Day** means a day, other than a Saturday or Sunday, on which business of the kind contemplated by this Agreement is carried on in France, in the Original Buyer’s country and in the New Buyer’s country or, where used in relation to a payment, which is a day on which banks are open for business in France, in the Original Buyer’s country, in the New Buyer’s country and in New York, as appropriate.

**Parties** means, together, the parties to this Agreement and each, a Party.

**Purchase Agreement** means the agreement described more particularly in Recital (A), as novated under the terms of this Agreement and as may be, supplemented or amended from time to time.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- 1.2 Unless otherwise specified and except where the context otherwise requires, any reference in this Agreement to:
- (a) any person shall be construed so as to include its successors and permitted assigns and permitted transferees in accordance with their respective interests;
  - (b) this Agreement and any other document shall be construed as a reference to such document as amended, restated, supplemented, varied or novated from time to time in accordance with its terms;
  - (c) any provision of law shall be construed as a reference to that provision as amended, supplemented, varied, re-enacted, replaced or restated from time to time;
  - (d) any applicable law includes, without limitation, (i) applicable laws, acts, codes, conventions, decrees, decree-laws, legislation, statutes, treaties and similar instruments, (ii) applicable final judgments, orders, determinations or awards of any court from which there is no right of appeal (or, if there is a right of appeal, such appeal is not prosecuted within the allowable time) and (iii) applicable directives, guidance, guidelines, notices, orders, regulations and rules of any governmental authority (whether or not having the force of law but with which, if not having the force of law, compliance is customary);
  - (e) a Clause shall be construed as a reference to a clause of this Agreement;
  - (f) a person shall be construed as a reference to any association, company, corporation, firm, governmental authority, individual, Joint venture, partnership (including any limited partnership and any limited liability partnership) or trust (in each case whether or not having separate legal personality);
  - (g) a successor shall be construed so as to mean a successor in title of a person and any person who under the applicable laws of its jurisdiction of incorporation or domicile has assumed the rights and obligations of such person or to which, under such laws or by agreement or otherwise, such rights and obligations have been transferred; and
  - (h) the winding-up, dissolution, administration or re-organisation of a person shall be construed so as to include any equivalent or analogous proceedings under the applicable law of the jurisdiction in which such person is incorporated or formed or any jurisdiction in which such person carries on business including the seeking of liquidation, winding-up, re-organisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

1.3 Clause headings are for reference only and shall be ignored in the interpretation of this Agreement.

## 2 Novation

2.1 Each of the Parties hereby agrees that with effect from the date hereof:

- (a) the Seller and the Original Buyer shall each be released from further obligations to each other under the Purchase Agreement and their respective rights against each other thereunder shall be cancelled; and

Novation Agreement CSC.337.0179/07

Page 4 of 8

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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- (b) the Seller and the New Buyer shall assume obligations towards each other and acquire rights against each which are identical to the rights and obligations which each of the Original Buyer and the Seller had under the Purchase Agreement immediately prior to the execution of this Agreement; and
- (c) the New Buyer hereby agrees that it shall perform in accordance with its terms, the obligations under the Purchase Agreement which were previously those of the Original Buyer and which by the terms of this Agreement will be assumed by it and references in the Purchase Agreement to the "Buyer" shall be construed with effect hereof as references to the New Buyer in place of the Original Buyer; and
- (d) the Seller hereby:
  - (i) releases and discharges the Original Buyer from all of its obligations under the Purchase Agreement and accepts the assumption by the New Buyer of the obligations under the Purchase Agreement which were previously those of the Original Buyer; and
  - (ii) agrees to perform and discharge all of the Sellers obligations, duties and liabilities under the Purchase Agreement to and in favour of the New Buyer in every way as if the New Buyer were named the "Buyer" thereunder; and
- (e) nothing herein shall modify in any way the Seller's rights, liabilities, obligations or remedies under the Purchase Agreement; and
- (f) the Original Buyer hereby:
  - (i) agrees to transfer to the New Buyer the benefit of the pre-delivery payments paid by the Original Buyer pursuant to the Purchase Agreement and actually received by the Seller;
  - (ii) Instructs the Seller to treat such amount as having been paid for and on behalf of the New Buyer; and
  - (iii) renounces to any rights it may have against such pre-delivery payments; and
- (g) the Seller hereby acknowledges the transfer and instructions set out in Clause 2.1(f)(ii) and irrevocably agrees that it will treat such pre-delivery payments paid to the Seller by the "Buyer" as having been paid by the New Buyer under the Purchase Agreement (as novated hereunder).

2.2 Each of the events specified in Clause 2.1 is conditional on and shall take effect simultaneously with the others.

**3 Representations**

3.1 Each of the Parties hereto represents and warrants:

- (i) it has the power to enter into and has duly authorised the execution and delivery of this Agreement; and
- (ii) its obligations hereunder constitute its legal, valid and binding obligations.

3.2 Each of the Original Buyer and the Seller hereby represents and warrants to the New Buyer that it has made no prior transfer of any of its rights, title or interest under the Purchase Agreement, other than in respect of pre-delivery payment financings to which the Seller has consented.

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**4 Fees, Costs and Expenses – Indemnity**

- 4.1 The New Buyer hereby agrees that it shall pay all reasonable fees, costs and expenses (including legal and out of pocket expenses) incurred by the Seller in connection with the novation of the Original Buyer’s rights and obligations under the Purchase Agreement and the negotiation, preparation, execution and implementation of this Agreement and each other document required in connection herewith.
- 4.2 The New Buyer hereby undertakes to indemnify and hold harmless the Seller from and against all costs, expenses, losses and liabilities (including taxes or duties of any kind) imposed on, incurred by or asserted against the Seller in any way relating to or arising from or out of the execution of this Agreement including, without limitation, any action or inaction of the New Buyer and/or the Original Buyer in connection with this Agreement unless and except such costs, expenses, losses and liabilities are attributable solely to the gross negligence or wilful misconduct of the Seller.

**5 Seller’s and New Buyer’s Liability**

- 5.1 Nothing herein contained shall subject the Seller to any greater liability under the Purchase Agreement than it would have had under the Purchase Agreement had this Agreement not been executed nor modify in any respect the Seller’s contractual rights thereunder.
- 5.2 Nothing herein contained shall subject the New Buyer to any greater liability under the Purchase Agreement than the Original Buyer would have had under the Purchase Agreement had this Agreement not been executed nor modify in any respect the rights and obligations previously those of the Original Buyer under the Purchase Agreement.

**6 Assignment**

The provisions of clause 21 (*Assignments*) of the Purchase Agreement shall apply mutatis mutandis to this Agreement.

**7 Counterparts**

This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Agreement.

**8 Notices**

All notices and requests required or authorized hereunder shall be given in writing either by personal delivery to an authorized representative of the Party to whom the same is given or by registered mail (return receipt requested), express mail (tracking receipt requested) or by facsimile, to be confirmed by subsequent registered mail, and the date upon which any such notice or request is so personally delivered or if such notice or request is given by registered mail, the date upon which it is received by the addressee or, if given by facsimile, the date upon which it is sent with a correct confirmation printout, provided that if such date of receipt is not a Business Day notice shall be deemed to have been received on the first following Business Day, shall be deemed to be the effective date of such notice or request.



Seller's address for notices is:

AIRBUS S.A.S.  
Attn. to V. P. Contracts  
1 Rond-Point Maurice Bellonte  
31707 Blagnac Cedex  
France  
Fax: [\*\*\*]

New Buyer's address for notices is:

LATAM AIRLINES GROUP S.A.  
Edificio Huidobro  
Avenida Presidente Riesco 5711 – 20<sup>th</sup> Floor  
Las Condes, Santiago  
Chile  
Attn. to Fleet and Engines Vice President  
Fax: +56 2 2565 3905

Original Buyer's address for notices is:

TAM - LINHAS AEREAS S.A.  
Avenida Jurandir, 856, 2<sup>o</sup> andar, Lote 4  
CEP 04072 - 000, Jardim CECI  
Sao Paulo – SP  
Brazil  
Attn. to Fleet and Engines Vice President  
Fax: +56 2 2565 3905

or to such other address or such other person as the Party receiving the notice or request may reasonably designate from time to time.

**9 Governing Law and Jurisdiction**

- 9.1 This Agreement shall be governed by and construed in accordance with the laws of England.
- 9.2 Any dispute out of or in connection with this Agreement shall be within the exclusive jurisdiction of the courts of England.

**10 Severability**

In the event that any provision of this Agreement should for any reason be held ineffective, the remainder of this Agreement shall remain in full force and effect. To the extent permitted by applicable law, each Party hereto hereby waives any provision of law, which renders any provision of this Agreement prohibited or unenforceable in any respect.

**11 Confidentiality**

The provisions of clause 22.10 (*Confidentiality*) of the Purchase Agreement shall apply *mutatis mutandis to this Agreement*

Novation Agreement CSC.337.0179/07

Page 7 of 8

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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AS WITNESS the hands of the duly authorised representatives of the Parties on the day and year first above written.

For and on behalf of

AIRBUS S.A.S.



Name: /s/ [illegible]

Title: \_\_\_\_\_

\_\_\_\_\_

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name:  

Title: OSCAR AGUAYO  
VP Aircraft & Engines Acquisition

Name: \_\_\_\_\_


Title:   
ANDRES DEL VALLE E.  
Director Senior  
Finanzas Corporativas

For and on behalf

TAM LINHAS AEREAS S.A.

Name:  

Title: RAFAEL LOURENCO  
Gerente Senior Negociaciones  
y Contratos

Name: 

Title:   
FELIPE CRUZ R. DE CAMPOS  
Director Leasing Flota LATAM

  
ELVIRA VIAL  
Abogada Senior  
LATAM Airlines Group



**Exhibit 4.20.1**

**AMENDMENT No.1**

TO THE

A320 FAMILY PURCHASE AGREEMENT

BETWEEN

**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)

AND

**AIRBUS S.A.S.**

A320NEO - LAN - AMDT 1 - A320NEO Family PA  
Ref: CT11011951

Page 1 of 5

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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This amendment No.1 to the Agreement (as defined below) is entered into as of this 27<sup>th</sup> day of February 2013, by and between

AIRBUS S.A.S., having its principal office at:  
1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “Seller”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having its principal office at  
Edificio Huidobro  
Avenida Presidente Riesco 5711- 20<sup>th</sup> Floor  
Las Condes  
SANTIAGO  
CHILE

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

WHEREAS

- A. The Buyer and the Seller entered into an A320 NEO Purchase Agreement dated June 22, 2011 covering the purchase by the Buyer and the sale by the Seller of twenty (20) A320 NEO Aircraft and such purchase agreement, together with all exhibits, appendices and letter agreements thereto are together referred to as the “Agreement”.
- B. The Buyer and the Seller now wish to enter into this amendment No. 1 to the Agreement (the “Amendment No. 1”) covering the [\*\*\*] the Propulsion Systems.

NOW IT IS HEREBY AGREED AS FOLLOWS:

0. DEFINITIONS

The terms “herein,” “hereof,” and “hereunder” and words of similar import refer to this Amendment No.1 and capitalized terms used herein and not otherwise defined in this Amendment No.1 will have the meanings assigned to them in the Agreement.

1. SCOPE

The Buyer and the Seller have agreed to [\*\*\*]  
the Propulsion Systems.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



2. PROPULSION SYSTEMS SELECTION

2.1 Paragraph 2.3.2 of the Agreement is deleted in its entirety and replaced with the following:

QUOTE

The Buyer shall provide written notice to the Seller of its choice of Propulsion Systems for the Aircraft by

[\*\*\*]

UNQUOTE

2.2 [\*\*\*]

A320NEO - LAN - AMDT 1 - A320NEO Family PA  
Ref: CT11011953

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



3. EFFECT OF THE AMENDMENT

- 3.1 This Amendment No.1 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 3.2 The Agreement shall be deemed amended to the extent provided in this Amendment No.1 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 3.3 The Parties agree that this Amendment No.1 shall constitute an integral, non-severable part of the Agreement and be governed by all of its
- 3.4 In the event of any inconsistency between the terms and conditions of the Agreement and those of the present Amendment No.1, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.
- 3.5 This Amendment No.1 will not be modified or varied except by an instrument in writing executed by both Parties.
- 3.6 The Parties hereby acknowledge and agree that this Amendment is subject to the confidentiality provisions set forth in Clause 22.12 of the Agreement.
- 3.7 The Parties agree that clause 21 of the Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No.1.
- 3.8 This Amendment No.1 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 3.9 This Amendment No.1 shall be governed by and construed in accordance with the laws of England.

A320NEO - LAN - AMDT 1 - A320NEO Family PA  
Ref: CT11011954

Page 4 of 5

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





IN WITNESS WHEREOF this Amendment No.1 to the Agreement was duly entered into the day and year first above written.

Agreed and Accepted  
For and on behalf of

Agreed and Accepted  
For and on behalf of

**LATAM AIRLINES GROUP S.A.**

**Chrisophe Mourey**  
**Senior Vice President Contracts**

By: \_\_\_\_\_

Its: **LAN**  
**ANDRES DEL VALLE E.**  
Director Senior Finanzas Corporativas  
LATAM Airlines Group

Date: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

LATAM AIRLINES GROUP S.A.

By: /s/ OSCAR AGUAYO

Its: OSCAR AGUAYO  
Director Flota Propia  
[illegible]

Date: \_\_\_\_\_

A320NEO - LAN - AMDT 1 - A320NEO Family PA  
Ref: CT11011951

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**AMENDMENT No.2**  
TO THE  
A320 FAMILY PURCHASE AGREEMENT  
BETWEEN  
**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)  
AND  
**AIRBUS S.A.S.**

A320NEO - LAN - AMDT 2 - A320NEO Family PA  
Ref: CT11011951



This amendment No.2 to the Agreement (as defined below) is entered into as of this 15<sup>th</sup> day of July 2014, by and between

AIRBUS S.A.S., having its principal office at:  
1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “Seller”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having its principal office at:  
Edificio Huldobro  
Avenida Presidente Riesco 5711- 20th Floor  
Las Condes  
SANTIAGO  
CHILE

(hereinafter referred to as the “Buyer”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

WHEREAS

- A. The Buyer and the Seller entered into an A320 NEO Purchase Agreement dated June 22, 2011 covering the purchase by the Buyer and the sale by the Seller of twenty (20) A320 NEO Aircraft and such purchase agreement, together with all exhibits, appendices and letter agreements thereto are together referred to as the “**Agreement**”.
- B. The Buyer and the Seller entered into an amendment No. 1 to the Agreement dated February 27, 2013 (the “**Amendment No. 1**”) covering the [\*\*\*] of the date by which the Buyer selects the Propulsion Systems.
- C. The Buyer and the Seller entered into an A320 family purchase agreement dated March 20,1998 covering the purchase by the Buyer and the sale by the Seller of certain A320 family aircraft, and such purchase agreement, amendment No.1, and all exhibits, appendices and letter agreements thereto are together referred to as the “**Original A320 Family Purchase Agreement**”.
- D. The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements and pursuant to the second such agreement as supplemented with all exhibits, appendices and as amended, supplemented or otherwise modified to and including the date hereof (the “**Second A320 Family Purchase Agreement**”) whereby, among other matters, the Seller shall sell and deliver and the Buyer shall take delivery of i) 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement) and ii) Second Batch of Incremental Aircraft (as such term is defined in the Second A320



Family Purchase Agreement). Pursuant to amendment No.16 to the Second A320 Family Purchase Agreement dated of even date herewith, the Parties have agreed to convert twelve (12) 2010 Incremental Aircraft into 2014 Incremental NEO Aircraft (as such term is defined below).

E. [\*\*\*]

F. The Buyer and the Seller now wish to enter into this amendment No. 2 to the Agreement (the “**Amendment No. 2**”) covering the order of 12 (twelve) incremental A320 NEO Aircraft to become the 2014 Incremental NEO Aircraft (as such term is defined below), such aircraft having been converted from 12 (twelve) 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement), and amending certain terms of the Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

0. DEFINITIONS

The terms “herein,” “hereof,” and “hereunder” and words of similar import refer to this Amendment No.2 and capitalized terms used herein and not otherwise defined in this Amendment No.2 will have the meanings assigned to them in the Agreement.

1. SCOPE

1.1 The Seller shall sell and deliver and the Buyer shall buy and take delivery of 12 (twelve) additional A320 NEO Aircraft upon the terms and conditions contained in this Amendment No.2 (the “**2014 Incremental NEO Aircraft**”), such 2014 Incremental NEO Aircraft having been converted from 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement).

1.2 All references to “Aircraft” in the Agreement and this Amendment No.2 shall be also deemed to refer to the 2014 Incremental NEO Aircraft unless expressly stipulated otherwise herein.

2. 2014 INCREMENTAL NEO AIRCRAFT

2.1 DELIVERY SCHEDULE

2.1.1 The Parties agree to delete the table contained in clause 9.1.1 of the Agreement in its entirety and replace it with the following:

QUOTE

| <u>Scheduled Delivery Quarters</u> | <u>Rank number</u> | <u>Aircraft type</u> | <u>Aircraft defined as</u> |
|------------------------------------|--------------------|----------------------|----------------------------|
| [***]                              | 1                  | A320                 | NEO Aircraft               |

A320NEO - LAN - AMDT 2 - A320NEO Family PA  
Ref: CT11011953

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|       |    |      |                               |
|-------|----|------|-------------------------------|
| [***] | 2  | A320 | NEO Aircraft                  |
|       | 3  | A320 | NEO Aircraft                  |
|       | 4  | A320 | NEO Aircraft                  |
|       | 5  | A320 | NEO Aircraft                  |
|       | 6  | A320 | NEO Aircraft                  |
|       | 7  | A320 | NEO Aircraft                  |
|       | 8  | A320 | NEO Aircraft                  |
|       | 9  | A320 | NEO Aircraft                  |
|       | 10 | A320 | NEO Aircraft                  |
|       | 11 | A320 | NEO Aircraft                  |
|       | 12 | A320 | NEO Aircraft                  |
|       | 13 | A320 | NEO Aircraft                  |
|       | 14 | A320 | NEO Aircraft                  |
|       | 15 | A320 | NEO Aircraft                  |
|       | 16 | A320 | NEO Aircraft                  |
|       | 17 | A320 | NEO Aircraft                  |
|       | 18 | A320 | NEO Aircraft                  |
|       | 19 | A320 | NEO Aircraft                  |
|       | 20 | A320 | NEO Aircraft                  |
|       | 21 | A320 | 2014 Incremental NEO Aircraft |
|       | 22 | A320 | 2014 Incremental NEO Aircraft |
|       | 23 | A320 | 2014 Incremental NEO Aircraft |
|       | 24 | A320 | 2014 Incremental NEO Aircraft |
|       | 25 | A320 | 2014 Incremental NEO Aircraft |
|       | 26 | A320 | 2014 Incremental NEO Aircraft |
|       | 27 | A320 | 2014 Incremental NEO Aircraft |
|       | 28 | A320 | 2014 Incremental NEO Aircraft |
|       | 29 | A320 | 2014 Incremental NEO Aircraft |
|       | 30 | A320 | 2014 Incremental NEO Aircraft |
|       | 31 | A320 | 2014 Incremental NEO Aircraft |
|       | 32 | A320 | 2014 Incremental NEO Aircraft |

UNQUOTE

2.2 PREDELIVERY PAYMENTS

The Predelivery Payments due to the Seller in respect of the 2014 Incremental NEO Aircraft upon the signature of this Amendment No.2 is [\*\*\*]

being the amount due in accordance with clause 5.3 of the Agreement as of the date hereof and the Parties agree [\*\*\*]

3. [\*\*\*]

A320NEO - LAN - AMDT 2 - A320NEO Family PA  
Ref: CT11011954

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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[\*\*\*]

4. EFFECT OF THE AMENDMENT

- 4.1 This Amendment No.2 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 4.2 The Agreement shall be deemed amended to the extent provided in this Amendment No.2 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 4.3 The Parties agree that this Amendment No.2 shall constitute an integral, non-severable part of the Agreement and be governed by all of its provisions.
- 4.4 In the event of any inconsistency between the terms and conditions of the Agreement and those of the present Amendment No.2, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.
- 4.5 This Amendment No.2 will not be modified or varied except by an instrument in writing executed by both Parties.
- 4.6 The Parties hereby acknowledge and agree that this Amendment is subject to the confidentiality provisions set forth in Clause 22.12 of the Agreement.
- 4.7 The Parties agree that clause 21 of the Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No.2.
- 4.8 This Amendment No.2 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 4.9 This Amendment No.2 shall be governed by and construed in accordance with the laws of England.

A320NEO - LAN - AMDT 2 - A320NEO Family PA  
Ref: CT11011955

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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IN WITNESS WHEREOF this Amendment No.2 to the Agreement was duly entered into the day and year first above written.

Agreed and Accepted

Agreed and Accepted

For and on behalf of

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

**AIRBUS S.A.S.**

By: /s/ Roberto Alvo  
ROBERTO ALVO

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Its: Chief Corporate Officer  
LATAM Airlines Group

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**LATAM AIRLINES GROUP S.A.**

By: \_\_\_\_\_



Its: **ANDRES DEL VALLE E.**  
Director Senior  
Finanzas Corporativas

Date: \_\_\_\_\_





**AMENDMENT No. 3**

TO THE

A320 FAMILY PURCHASE AGREEMENT

BETWEEN

**LATAM AIRLINES GROUP S.A.**  
(formerly known as LAN AIRLINES S.A.)

AND

**AIRBUS S.A.S.**

A320NEO - LAN - AMDT 3 - A320NEO Family PA  
Ref: CT1101195

Page 1 of 7





This amendment No.3 to the Agreement (as defined below) is entered into as of this 11<sup>th</sup> day of December 2014, by and between

AIRBUS S.A.S., having its principal office at:  
1 Rond-Point Maurice Bellonte  
31707 BLAGNAC-CEDEX  
FRANCE

(hereinafter referred to as the “**Seller**”) of the one part

AND

LATAM AIRLINES GROUP S.A. (formerly known as LAN AIRLINES S.A.) having its principal office at:

Edificio Huidobro  
Avenida Presidente Riesco 5711- 20<sup>th</sup> Floor  
Las Condes  
SANTIAGO  
CHILE

(hereinafter referred to as the “**Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

WHEREAS

- A. The Buyer and the Seller entered into an A320 NEO Purchase Agreement dated June 22, 2011 covering the purchase by the Buyer and the sale by the Seller of twenty (20) A320 NEO Aircraft and such purchase agreement, together with all exhibits, appendices and letter agreements thereto are together referred to as the “**Agreement**”.
- B. The Buyer and the Seller entered into an amendment No. 1 to the Agreement dated February 27, 2013 covering the [\*\*\*] of the date by which the Buyer selects the Propulsion Systems.
- C. The Buyer and the Seller entered into an A320 family purchase agreement dated March 20, 1998 covering the purchase by the Buyer and the sale by the Seller of certain A320 family aircraft, and such purchase agreement, its amendment No. 1 dated February 24<sup>th</sup> 2000, and all exhibits, appendices and letter agreements thereto are together referred to as the “**Original A320 Family Purchase Agreement**”.

A320NEO - LAN - AMDT 3 - A320NEO Family PA  
Ref: CT1101195

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- D. The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements and pursuant to the second such agreement as supplemented with all exhibits, appendices and as amended, supplemented or otherwise modified to and including the date hereof (the “**Second A320 Family Purchase Agreement**”) whereby, among other matters, the Seller shall sell and deliver and the Buyer shall take delivery of i) 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement) and ii) Second Batch of Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement). Pursuant to amendment No.16 to the Second A320 Family Purchase Agreement dated of even date herewith, the Parties have agreed to convert twelve (12) 2010 Incremental Aircraft into 2014 Incremental NEO Aircraft (as such term is defined below).
- E. [\*\*\*]
- F. The Buyer and the Seller entered into amendment No. 2 to the Agreement covering the order of 12 (twelve) Incremental A320 NEO Aircraft to become the 2014 Incremental NEO Aircraft (as such term is defined below), such aircraft having been converted from 12 (twelve) 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement), and amending certain terms of the Agreement.
- G. The Buyer and the Seller now wish to enter into this amendment No. 3 to the Agreement (the “**Amendment No. 3**”) covering the order of 4 (four) Incremental A320 NEO Aircraft and 4 (four) Incremental A321 NEO Aircraft to become the 2014 2<sup>nd</sup> Batch NEO Aircraft (as such term is defined below), such aircraft having been converted from 8 (eight) 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement).

**NOW IT IS HEREBY AGREED AS FOLLOWS:**

**0. DEFINITIONS**

The terms “herein,” “hereof,” and “hereunder” and words of similar import refer to this Amendment No. 3 and capitalized terms used herein and not otherwise defined in this Amendment No. 3 will have the meanings assigned to them in the Agreement.

**1. SCOPE**

- 1.1 The Seller shall sell and deliver and the Buyer shall buy and take delivery of 4 (four) additional A320 NEO Aircraft and 4 (four) additional A321 NEO Aircraft upon the terms and conditions contained in this Amendment No. 3 (the “**2014 2<sup>nd</sup> Batch NEO Aircraft**”), such 2014 2<sup>nd</sup> Batch NEO Aircraft having been converted from 2010 Incremental Aircraft (as such term is defined in the Second A320 Family Purchase Agreement).

A320NEO - LAN - AMDT 3 - A320NEO Family PA  
Ref: CT1101195

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



1.2 All references to "Aircraft" in the Agreement and this Amendment No. 3 shall be also deemed to refer to the 2014 2<sup>nd</sup> Batch NEO Aircraft unless expressly stipulated otherwise herein.

**2. 2014 2<sup>nd</sup> BATCH NEO AIRCRAFT**

**2.1 DELIVERY SCHEDULE**

2.1.1 The Parties agree to delete the table contained in clause 9.1.1 of the Agreement in its entirety and replace it with the following:

**QUOTE**

| <u>Scheduled Delivery Quarters</u> | <u>Rank number</u> | <u>Aircraft type</u> | <u>Aircraft defined as</u>              |
|------------------------------------|--------------------|----------------------|---|
| ***]                               | 1                  | A320                 | NEO Aircraft                            |
|                                    | 2                  | A320                 | NEO Aircraft                            |
|                                    | 3                  | A320                 | NEO Aircraft                            |
|                                    | 4                  | A320                 | NEO Aircraft                            |
|                                    | 5                  | A320                 | NEO Aircraft                            |
|                                    | 6                  | A320                 | NEO Aircraft                            |
|                                    | 7                  | A320                 | NEO Aircraft                            |
|                                    | 8                  | A320                 | NEO Aircraft                            |
|                                    | 9                  | A320                 | NEO Aircraft                            |
|                                    | 10                 | A320                 | NEO Aircraft                            |
|                                    | 11                 | A320                 | NEO Aircraft                            |
|                                    | 12                 | A320                 | NEO Aircraft                            |
|                                    | 13                 | A320                 | NEO Aircraft                            |
|                                    | 14                 | A320                 | NEO Aircraft                            |
|                                    | 15                 | A320                 | NEO Aircraft                            |
|                                    | 16                 | A320                 | NEO Aircraft                            |
|                                    | 17                 | A320                 | NEO Aircraft                            |
|                                    | 18                 | A320                 | NEO Aircraft                            |
|                                    | 19                 | A320                 | NEO Aircraft                            |
|                                    | 20                 | A320                 | NEO Aircraft                            |
|                                    | 21                 | A320                 | 2014 Incremental NEO Aircraft           |
|                                    | 22                 | A320                 | 2014 Incremental NEO Aircraft           |
|                                    | 23                 | A320                 | 2014 Incremental NEO Aircraft           |
|                                    | 24                 | A320                 | 2014 Incremental NEO Aircraft           |
|                                    | 25                 | A320                 | 2014 Incremental NEO Aircraft           |
|                                    | 26                 | A320                 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|                                    | 27                 | A320                 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|                                    | 28                 | A320                 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|                                    | 29                 | A320                 | 2014 Incremental NEO Aircraft           |
|                                    | 30                 | A320                 | 2014 Incremental NEO Aircraft           |

A320NEO - LAN - AMDT 3 - A320NEO Family PA  
Ref: CT1101195

“\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|       |    |      |   |
|-------|----|------|---|
| [***] | 31 | A320 | 2014 Incremental NEO Aircraft           |
|       | 32 | A320 | 2014 Incremental NEO Aircraft           |
|       | 33 | A320 | 2014 Incremental NEO Aircraft           |
|       | 34 | A320 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|       | 35 | A321 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|       | 36 | A321 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|       | 37 | A321 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |
|       | 38 | A320 | 2014 Incremental NEO Aircraft           |
|       | 39 | A320 | 2014 Incremental NEO Aircraft           |
|       | 40 | A321 | 2014 2 <sup>nd</sup> Batch NEO Aircraft |

UNQUOTE

**2.2 PREDELIVERY PAYMENTS**

The Predelivery Payments due to the Seller in respect of the 2014 2<sup>nd</sup> Batch NEO Aircraft upon the signature of this Amendment No. 3 is [\*\*\*]

being the amount due in accordance with clause 5.3 of the Agreement as of the date hereof and the Parties agree [\*\*\*]

**2.3 [\*\*\*]**

**3. EFFECT OF THE AMENDMENT**

- 3.1 This Amendment No. 3 contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written.
- 3.2 The Agreement shall be deemed amended to the extent provided in this Amendment No. 3 and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.
- 3.3 The Parties agree that this Amendment No. 3 shall constitute an integral, non-severable part of the Agreement and be governed by all of its provisions.
- 3.4 In the event of any inconsistency between the terms and conditions of the Agreement and those of the present Amendment No. 3, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.

A320NEO - LAN - AMDT 3 - A320NEO Family PA  
Ref: CT1101195

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LATAM AIRLINES GROUP**

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**FORM 20-F**

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Page 1 of 1

- 3.5 This Amendment No. 3 will not be modified or varied except by an instrument in writing executed by both Parties.
- 3.6 The Parties hereby acknowledge and agree that this Amendment No. 3 is subject to the confidentiality provisions set forth in clause 22.12 of the Agreement.
- 3.7 The Parties agree that clause 21 of the Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Amendment No. 3.
- 3.8 This Amendment No. 3 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 3.9 This Amendment No. 3 shall be governed by and construed in accordance with the laws of England.

A320NEO - LAN - AMDT 3 - A320NEO Family PA  
Ref: CT1101195

Page 6 of 7



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IN WITNESS WHEREOF this Amendment No. 3 to the Agreement was duly entered into the day and year first above written.

Agreed and Accepted

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

By: /s/ [ILLEGIBLE]

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Agreed and Accepted

For and on behalf of

**AIRBUS S.A.S**

By: /s/ Christophe Mourey

Its: Senior Vice President Contracts

Date: \_\_\_\_\_

**LATAM AIRLINES GROUP S.A.**

By: \_\_\_\_\_

Its: **LAN**  
**ANDRES DEL VALLE E.**  
*Director Senior*  
*Finanzas Corporativas*

Date: \_\_\_\_\_

**LAN**  
**ELVIRA VAL**  
*Abogada Senior*  
**LATAM Airlines Group**

*ev*



**Exhibit 4.20.2**

LETTER AGREEMENT N°1  
to Amendment N° 2

July 15, 2014

**LATAM AIRLINES GROUP S.A.**  
Edificio Huidobro  
Avenida Presidente Riesco 5711 – 20th Floor  
Las Condes  
Santiago - Chile

Subject : [\*\*\*]

LATAM Airlines Group S.A. (the “**Buyer**”) and Airbus S.A.S. (the “**Seller**”) have entered into an amendment N°2 to the A320 NEO Purchase Agreement (as defined therein) dated of even date herewith (“**Amendment N°2**”), which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the 2014 Incremental NEO Aircraft as defined therein.

Capitalized terms used herein and not otherwise defined in this letter agreement N°1 to Amendment N°2 (the “**Letter Agreement N° 1**”) shall have the meanings assigned thereto in the A320 NEO Purchase Agreement and/or Amendment N°2 as the case may be.

Both Parties agree that this Letter Agreement N°1, upon execution thereof, shall constitute an integral, non-severable part of said Amendment N°2 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement N°1.

A320NEO - LAN – LA1 to AMDT 2 - A320NEO Family PA  
Ref. CT11011954

1/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N°1**  
to Amendment N° 2

- 1. [\*\*\*]
- 1.1 [\*\*\*]

A320NEO - LAN – LA1 to AMDT 2 - A320NEO Family PA  
Ref. CT11011954 2/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**LETTER AGREEMENT N°1**  
to Amendment N°2

[\*\*\*]

**2. Assignment**

The Parties agree that clause 21 of the Agreement shall govern the assignability and transferability of each Party's rights and obligations under this Letter Agreement N° 1.

**3. Confidentiality**

Each of the Parties hereto agree that the provisions of this Letter Agreement N° 1 are subject to the confidentiality provisions set forth in Clause 22.12 of the Agreement.

**4. Counterparts**

This Letter Agreement N° 1 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

A320NEO - LAN – LA1 to AMDT 2 - A320NEO Family PA  
Ref. CT11011954

3/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LETTER AGREEMENT N°1**

to Amendment N° 2

If the foregoing correctly sets forth our understanding, please execute two (2) originals in the space provided below and return one (1) original of this Letter Agreement N°1 to the Seller.

Agreed and Accepted

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

By: /s/ ROBERTO ALVO

Its: ROBERTO ALVO  
Chief Corporate Officer  
LATAM Airlines Group

Date: \_\_\_\_\_

Agreed and Accepted

For and on behalf of


**AIRBUS S.A.S.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**LATAM AIRLINES GROUP S.A.**

By : ~~LAN~~  ~~12345~~

Its : ANDRES DEL VALLE E.  
Director Senior  
Finanzas Corporativas

Date : \_\_\_\_\_

A320NEO - LAN - LA1 to AMDT 2 - A320NEO Family PA  
Ref. CT11011954



**Exhibit 4.33.1**

**A350 XWB**

**AMENDED AND RESTATED PURCHASE AGREEMENT**

**BETWEEN**

**AIRBUS S.A.S.**  
as Seller

**AND**

**TAM - LINHAS AEREAS S.A.**  
as Buyer

**Date:** December 20<sup>th</sup>, 2005, as amended and restated on January 21<sup>st</sup>, 2008

**Reference:** CSC.337.0179/07

A350 XWB – TAM – 12/2007

Foreword- Page 1/4



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A350 XWB – TAM – 12/2007



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**A350 XWB PURCHASE AGREEMENT**

This A350 XWB Purchase Agreement (the “**Agreement**”) is made as of the 21<sup>st</sup> day of January, 2008, and amends and restates the A350 Purchase Agreement signed on December 20<sup>th</sup>, 2005 (Ref. CCC.337.0042/05)

**BETWEEN:**

**AIRBUS S.A.S.**, a *société par actions simplifiée*, created and existing under French law having its registered office at 1 Rond-Point Maurice Bellonte, 31707 Blagnac-Cedex, France and registered with the Toulouse *Registre du Commerce* under number RCS Toulouse 383 474 814 (the “**Seller**”),

and

**TAM - LINHAS AEREAS S.A.** a company organised under the laws of Brazil having its principal place of business at Avenida Jurandir, 856, 2° andar, Lote 4, CEP 04072 - 000, Jardim CECI, SAO PAULO – SP, BRAZIL (the “**Buyer**”).

**WHEREAS** the Buyer and the Seller have on December 20<sup>th</sup>, 2005, entered into an A350 Purchase Agreement (Reference CCC.337.0042/05, hereinafter referred to as the “**2005 A350 Purchase Agreement**”) covering the purchase by the Buyer and the sale by the Seller of ten (10) A350 aircraft.

**WHEREAS** the Buyer and the Seller agree to replace such 2005 A350 Purchase Agreement in its entirety with this Agreement.

**WHEREAS** subject to the terms and conditions of this Agreement, the Seller desires to sell the Aircraft to the Buyer and the Buyer desires to purchase the Aircraft from the Seller.

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**NOW THEREFORE IT IS AGREED AS FOLLOWS:**

**0 DEFINITIONS AND INTERPRETATION**

0.1 In addition to words and terms elsewhere defined in this Agreement, the initially capitalised words and terms used in this Agreement shall have the meaning set out below.

|  |  |
|--|--|
| <b>Affiliate</b>                       | means with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by or under common control with such person or entity.   |
| <b>AirbusSpares</b>                    | has the meaning set forth in Part 3 of Exhibit I.  |
| <b>AirbusWorld</b>                     | has the meaning set forth in Part 2 of Exhibit I.  |
| <b>A350-800 XWB Aircraft</b>           | means an Airbus A350-800 XWB aircraft including the Airframe, the Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement  |
| <b>A350-900 XWB Aircraft</b>           | means an Airbus A350-900 XWB aircraft including the Airframe, the Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement.   |
| <b>A350-1000 XWB Aircraft</b>          | means an Airbus A350-1000 XWB aircraft including the Airframe, the Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement.  |
| <b>Aircraft</b>                        | means, individually or collectively, an A350-800 XWB, A350-900 XWB or A350-1000 XWB Aircraft.  |
| <b>Aircraft Training Services</b>      | means all training courses, flight training, line training, flight assistance, line assistance, maintenance support, maintenance training (including practical training as defined in Clause 16.8.1) or training support performed on aircraft and provided to the Buyer pursuant to this Agreement. |
| <b>Airframe</b>                        | means an Aircraft excluding the Propulsion Systems.  |
| <b>Aircraft Basic Price</b>            | has the meaning set out in Clause 3.1.   |
| <b>Aircraft Price Revision Formula</b> | is set out in Exhibit C.   |
| <b>Aviation Authority</b>              | means when used in respect of any jurisdiction the government entity, which under the laws of such jurisdiction has control over civil aviation or the registration, airworthiness or operation of aircraft in such jurisdiction.  |
| <b>Balance of Final Price</b>          | has the meaning set out in Clause 5.4.1.   |
| <b>Bill of Sale</b>                    | has the meaning set out in Clause 9.2.2.   |
| <b>Business Day</b>                    | means (i) a day, other than a Saturday or Sunday on which business of the kind contemplated by this Agreement is   |



carried out in France and Brazil, or (ii) where used in relation to a payment, which is also a day on which banks are open for business in France, New York or Brazil.

|   |  |
|---|--|
| <b>Buyer Furnished Equipment</b>            | has the meaning set out in Clause 18.1.1.  |
| <b>Contractual Definition Freeze or CDF</b> | has the meaning set out in Clause 2.4.2.   |
| <b>Customization Milestones Chart</b>       | has the meaning set out in Clause 2.4.1.   |
| <b>Certificate of Acceptance</b>            | has the meaning set out in Clause 8.3.   |
| <b>Default Rate</b>                         | means the rate of Default Interests as defined in Clause 5.7.  |
| <b>Delivery</b>                             | means the transfer of title to the Aircraft from the Seller to the Buyer in accordance with Clause 9.  |
| <b>Delivery Date</b>                        | means the date on which Delivery shall occur.  |
| <b>Delivery Location</b>                    | means the facilities of the Seller at the location of final assembly of the Aircraft.  |
| <b>Excusable Delay</b>                      | has the meaning set out in Clause 10.1.  |
| <b>Export Airworthiness Certificate</b>     | means an export certificate of airworthiness issued by the Aviation Authority of the Delivery Location.  |
| <b>Final Price</b>                          | has the meaning set out in Clause 3.2  |
| <b>General Terms and Conditions or GTC</b>  | means the General Terms and Conditions of Access to and Use of the Secure Area of AirbusWorld set forth in Part 4 to Exhibit I.  |
| <b>Ground Training Services</b>             | means all training courses performed in classrooms (classical or Airbus CBT courses), full flight simulator sessions, fixed base simulator sessions, field trips and any other services provided to the Buyer on the ground pursuant to this Agreement and which are not Aircraft Training Services. |
| <b>Manufacture Facilities</b>               | means the various manufacture facilities of the Seller, its Affiliates or any sub-contractor, where the Airframe or its parts are manufactured or assembled.   |
| <b>Material</b>                             | has the meaning set out in Clause 1.2 of Exhibit H.  |
| <b>Non-Excusable Delay</b>                  | has the meaning set out in Clause 11.1.  |
| <b>Predelivery Payment</b>                  | means the payment(s) determined in accordance with Clause 5.3.   |
| <b>Propulsion Systems</b>                   | has the meaning set out in Clause 2.3.   |





|   |  |
|---|--|
| <b>Propulsion Systems Manufacturer</b>    | means the manufacturer of the Propulsion Systems as set out in Clause 2.3.   |
| <b>Ready for Delivery</b>                 | means the time when (i) the Technical Acceptance Process has been successfully completed and (ii) the Export Airworthiness Certificate has been issued.  |
| <b>Scheduled Delivery Month</b>           | has the meaning set out in Clause 9.1.1.   |
| <b>Secure Area</b>                        | has the meaning set forth in Part 2 of Exhibit I.  |
| <b>Seller’s Representatives</b>           | means the representatives of the Seller referred to in Clause 15.2.  |
| <b>Seller Representatives Services</b>    | means the services provided by the Seller to the Buyer and from the Buyer to the Seller pursuant to Clause 15.   |
| <b>Seller Service Life Policy</b>         | has the meaning set out in Clause 12.2.  |
| <b>Spare Parts</b>                        | means the items of equipment and material which may be provided pursuant to Exhibit H.   |
| <b>Specification Change Notice or SCN</b> | means an agreement in writing between the parties to amend the Specification pursuant to Clause 2.   |
| <b>Specification</b>                      | means either (a) the Standard Specification if no SCNs are applicable or (b) if SCNs are issued, the Standard Specification as amended by all applicable SCNs.   |
| <b>Standard Specification</b>             | means individually or collectively, the [***] [***] applicable to each Aircraft type, which shall be amended for each Aircraft type by an initial standard specification (the “Standard Specification”), i.e.:<br><br>for the A350-800 XWB Aircraft the [***] [***], a copy of which has been annexed hereto in form of a CD-Rom as Exhibit A.<br><br>for the A350-900 XWB Aircraft the [***] [***], a copy of which has been annexed hereto in form of a CD-Rom as Exhibit A.<br><br>for the A350-1000 XWB Aircraft the standard specification [***], a copy of which has been annexed hereto in form of a CD-Rom as Exhibit A. |
| <b>Supplier</b>                           | has the meaning set out in Clause 12.3.1.1.  |
| <b>Supplier Part</b>                      | has the meaning set out in Clause 12.3.1.2.  |
| <b>Supplier Product Support Agreement</b> | has the meaning set out in Clause 12.3.1.3.  |

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**Technical Acceptance Process** has the meaning set out in Clause 8.1.1.  
**Technical Data** has the meaning set out in Clause 14.1.  
**Total Loss** has the meaning set out in Clause 10.4.  
**Type Certificate** has the meaning set out in Clause 7.1.  
**Warranted Part** has the meaning set out in Clause 12.1.1.

0.2 Clause headings and the Index are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

0.3 In this Agreement unless the context otherwise requires:

- (a) references to Clauses, Appendices and Exhibits are to be construed as references to the Clauses of, and Appendices, and Exhibits to this Agreement and references to this Agreement include its Schedules, Exhibits and Appendices;
- (b) words importing the plural shall include the singular and vice versa; and
- (c) references to a person shall be construed as including, without limitation, references to an individual, firm, company, corporation, unincorporated body of persons and any state or agency of a state.

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**1 SALE AND PURCHASE**

The Seller shall sell and deliver and the Buyer shall buy and take delivery of [\*\*\*] A350-800 XWB Aircraft and [\*\*\*] A350-900 XWB Aircraft on the Delivery Date at the Delivery Location upon the terms and conditions contained in this Agreement.

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Clause 1 - Page 1/1

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**2. SPECIFICATION**

**2.1 Aircraft Specification**

The Aircraft shall be manufactured in accordance with the Standard Specification, as may already have been modified or varied prior to the date of this Agreement by the Specification Change Notices listed in Appendix 1 to Exhibit A.

**2.2 Specification Amendment**

The parties understand and agree that the Specification may be further amended following signature of this Agreement as set forth hereunder.

**2.2.1 Specification Change Notice**

The Specification may be amended by written agreement between the parties in a Specification Change Notice (SCN). Each SCN shall be substantially in the form set out in Exhibit B1 and shall set out the SCN's Aircraft embodiment rank and shall also set forth, in detail, the particular change to be made to the Specification and the effect, if any, of such change on design, performance, weight, Delivery Date of the Aircraft affected thereby and on the text of the Specification. An SCN may result in an adjustment of the Base Price, which adjustment, if any, shall be specified in the SCN.

**2.2.2 Development Changes**

The Specification may also be amended to incorporate changes deemed necessary by the Seller to improve the Aircraft, prevent delay or ensure compliance with this Agreement ("Development Changes"), as set forth hereunder.

**2.2.2.1 Manufacturer Specification Changes Notices**

The Specification may be amended by the Seller through a Manufacturer Specification Change Notice ("MSCN"), which shall be substantially in the form set out in Exhibit B2 hereto and shall set out the MSCN's Aircraft embodiment rank as well as, in detail, the particular change to be made to the Specification and the effect, if any, of such change on performance, weight, Base Price, Delivery Date of the Aircraft affected thereby and interchangeability or replaceability requirements under the Specification.

Except when the MSCN is necessitated by an Aviation Authority directive or by equipment obsolescence, in which case the MSCN shall be accomplished without requiring the Buyer's consent, if the MSCN adversely affects the performance, weight, Base Price, Delivery Date of the Aircraft affected thereby or the interchangeability or replaceability requirements under the Specification, the Seller shall notify the Buyer of a reasonable period of time during which the Buyer must accept or reject such MSCN. If the Buyer does not notify the Seller of the rejection of the MSCN within such period, the MSCN shall be deemed accepted by the Buyer and the corresponding modification shall be accomplished.

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2.2.2.2 In the event of the Seller revising the Specification to incorporate Development Changes which have no adverse effect on any of the elements as set forth in 2.2.2.1 above, such revision shall be performed by the Seller without the Buyer's consent.

In such cases, the Seller shall provide to the Buyer the details of all changes in an adapted format and on a regular basis.

### 2.3 Propulsion Systems

The Airframe shall be equipped with

- (i) for the A350-800 XWB Aircraft: a set of two (2) Rolls Royce Trent XWB74 [\*\*\*] engines
  - (ii) for the A350-900 XWB Aircraft: a set of two (2) Rolls Royce Trent XWB83 [\*\*\*] engines
  - (iii) for the A350-1000 XWB Aircraft: a set of two (2) Rolls Royce Trent XWB92 [\*\*\*] engines
- (hereinafter individually or collectively referred to as the "Propulsion Systems").

### 2.4 Milestones

#### 2.4.1 Customization Milestones Chart

Within a reasonable period following signature of the Agreement, the Seller shall provide the Buyer with a customization milestones chart (the "Customization Milestone Chart"), setting out how far in advance of the Scheduled Delivery Month of the Aircraft an SCN must be executed in order to integrate into the Specification any items requested by the Buyer from the catalogues of Specification change options (hereinafter the "Option Catalogues") made available by the Seller.

#### 2.4.2 Contractual Definition Freeze

The Customization Milestone Chart shall in particular define the date(s) by which the contractual definition of the Aircraft must be finalized and all SCNs need to have been executed by the Buyer (the "Contractual Definition Freeze" or "CDF") in order to enable their incorporation into the manufacturing of the Aircraft and Delivery of the Aircraft in the Scheduled Delivery Month. Each such date shall be referred to as a "CDF Date".

### 2.5 A350 XWB Cabin Customization

Notwithstanding Clause 2.4.2, the Seller has developed an A350 XWB Aircraft cabin customization concept (the "A350 XWB Cabin Customization Concept"), which aims at providing the Buyer with a maximum amount of flexibility with

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"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



regard to the definition of the Specification of the Aircraft cabin, while maintaining the Scheduled Delivery Month of the Aircraft. At the date set forth for such decision in the Customization Milestone Chart (“the Concept Choice Date”), the Buyer shall indicate to the Seller whether it wishes to proceed with the definition of the Specification of the cabin exclusively through the selection of options and cabin solutions developed by the Seller in its Option Catalogues (“Catalogue items”) or whether in addition thereto it wishes to opt for the Advanced Customization Concept, as both outlined hereunder.

2.5.1 Option Catalogues

If the Buyer elects to customize the Aircraft cabin exclusively by selecting Catalogue Items, the Buyer shall notify the Seller thereof by the Concept Choice Date and the Buyer shall then have until the Option Catalogue CDF Date indicated in the Customization Milestone Chart to execute all corresponding Specification Change Notices. Catalog Items being associated with shorter lead times, the Option Catalogue CDF Date shall be later and the Buyer shall therefore have more time to finalize the corresponding SCNs.

In the absence of a notification from the Buyer by the Concept Choice Date that it wishes to resort to the Advanced Customization Concept, the Buyer shall be deemed to have chosen the Option Catalogue application and any possibility of applying the Advanced Customization Concept shall automatically lapse.

The Seller confirms to the Buyer that any SCN available in the Seller’s Option Catalogues shall be priced to the Buyer at the catalogue price for such option.

2.5.2 Advanced Customization Concept

At the Concept Choice Date, the Buyer may also elect to select the Seller’s “Advanced Customization Concept”. Through this concept, the Buyer may, in addition to the SCNs chosen in the Option Catalogues as set forth in 2.5.1, submit to the Seller for consideration specific changes, which changes shall as a prerequisite be based on the predefined interfaces communicated to the Buyer by the Seller at the same time as the Option Catalogues.

The Seller shall conduct a feasibility study of the Buyer’s request, considering technical, manufacturing and commercial constraints. It is understood between the parties that, irrespective of any other consideration, the request shall only be accepted if it is compatible with the Seller’s industrial planning and the associated Scheduled Delivery Month for the Buyer’s Aircraft.

Subject to acceptance by the Seller of the Buyer’s request and to the conditions hereof - including the on time provision of equipment in accordance with Clause 18 if such equipment is BFE - the Seller agrees to undertake the necessary actions to make available the necessary resources in such a way that the Buyer’s request may be embodied on the Aircraft, while ensuring that the Scheduled Delivery Month of Aircraft is met.

If the Advanced Customization Concept is selected, the Seller shall notify to the Buyer a first CDF Date for the execution of all SCNs related to the Advanced Customization Concept elements and a second, later, CDF Date for Catalogue Items, which the Buyer shall select from the Option Catalogues though the normal SCN process.



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In consideration of the additional efforts made by the Seller to define and implement the extensive definition required under the Advanced Customization Concept, the elements requested by the Buyer thereunder shall be subject to specific pricing, to be mutually agreed upon between the parties, in the form of an SCN, as set forth in Clause 2.2.1.

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Clause 02 - Page 4/4



**3 PRICES**

**3.1 Aircraft Basic Price**

3.1.1 The Aircraft Basic Price is the sum of:

(i) the base price of the Aircraft as defined in the Standard Specification (including, for the avoidance of doubt, nacelles, thrust reversers and the relevant Propulsion Systems, but excluding Buyer Furnished Equipment), which is:

- **for A350-800 XWB Aircraft:**

[\*\*\*]

- **for A350-900 XWB Aircraft:**

[\*\*\*]

- **for A350-1000 XWB Aircraft:**

[\*\*\*]

(ii) the sum of the base prices of all SCNs set forth in Appendix 1 to Exhibit “A”, which is:

- **for A350-800 XWB Aircraft:**

[\*\*\*]

- **for A350-900 XWB Aircraft:**

[\*\*\*]

(US Dollar Seven Hundred Sixteen Thousand Two Hundred)

- **for A350-1000 XWB Aircraft:**

[\*\*\*]

3.1.2 The Aircraft Base Price has been established in accordance with the [\*\*\*] and corresponding to a [\*\*\*] (the “**Base Period**”).

**3.2 Final Price**

The Final Price of each Aircraft shall be the sum of:

- (i) the Aircraft Basic Price as revised as of the Delivery Date in accordance with Clause 4; plus
- (ii) the aggregate of all increases or decreases to the Aircraft Basic Price as agreed in any Specification Change Notice or part thereof applicable to the Aircraft subsequent to the date of this Agreement as revised as of the Delivery Date in accordance with Clause 4; plus
- (iii) any other amount due (a) by the Buyer to the Seller pursuant to this Agreement, and/or (b) any other amount due from the Buyer to the Seller or the Seller to the Buyer pursuant to any other written agreement between the Buyer and the Seller with respect to the Aircraft.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**4. PRICE REVISION**

The Aircraft Basic Price is subject to revision in accordance with the Aircraft Price Revision Formula up to and including the Delivery Date (as set forth in Exhibit C).

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5 **PAYMENTS**

5.1 **Seller's Account**

The Buyer shall pay the Predelivery Payments, the Balance of Final Price and/or any other amount due by the Buyer to the Seller, to the Seller's account:

Beneficiary Name: AIRBUS

account identification: [\*\*\*]

with:

[\*\*\*]

or to such other account as may be designated by the Seller.

5.2 **Intentionally Left Blank**

5.3 [\*\*\*]

5.3.1 [\*\*\*]

Where

[\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- 5.3.2 [\*\*\*]
- 5.3.3 [\*\*\*]
- 5.3.4 [\*\*\*]

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Clause 5 - Page 2/6

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



5.3.5 [\*\*\*]

5.4 **Balance of Final Price**

5.4.1 The Balance of Final Price payable by the Buyer to the Seller on the Delivery Date shall be the Final Price less the amount of Predelivery Payments received by the Seller on or before the Delivery Date.

5.4.2 Upon receipt of the Seller's invoice, and immediately prior to Delivery, the Buyer shall pay to the Seller the Balance of Final Price.

5.5 **Other Charges**

Unless expressly stipulated otherwise, any other charges due under this Agreement other than those set out in Clauses 5.2, 5.3 and 5.4 shall be paid by the Buyer at the same time as payment of the Balance of Final Price or, if invoiced after the Delivery Date, within [\*\*\*] after the invoice date.

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Clause 5 - Page 3/6

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



5.6 **Method of Payment**

5.6.1 All payments provided for in this Agreement shall be made in United States Dollars (USD) in immediately available funds.

5.6.2 All payments due to the Seller hereunder shall be made in full, without set-off, counterclaim, deduction or withholding of any kind. Consequently, the Buyer shall procure that the sums received by the Seller under this Agreement shall be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature. If the Buyer is compelled by law to make any such deduction or withholding the Buyer shall pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding shall be equal to the amounts which would have been received in the absence of such deduction or withholding and pay to the relevant taxation or other authorities within the period for payment permitted by applicable law, the full amount of the deduction or withholding.

5.7 **Default Interest**

If any payment due to the Seller under this Agreement including but not limited to any Predelivery Payment, commitment fee, [\*\*\*] for the Aircraft as well as any payment due to the Seller for any spare parts, data, documents, training and services, is not received on the due date, without prejudice to the Seller's other rights under this Agreement and at law, the Seller shall be entitled to interest for late payment calculated on the amount due from and including the due date of payment up to and including the date when the payment is received by the Seller at a rate equal to [\*\*\*]

All such interest shall be compounded monthly and calculated on the basis of the actual number of days elapsed in the month assuming a [\*\*\*]

5.8 **Taxes**

5.8.1 The amounts stated in this Agreement to be payable by the Buyer are exclusive of value added tax ("VAT") chargeable under the laws of the Delivery Location and accordingly the Buyer shall pay any VAT chargeable in respect of supplies to the Buyer as contemplated by this Agreement.

5.8.2 The Seller shall pay all other taxes, duties or similar charges of any nature whatsoever levied, assessed, charged or collected for or in connection with the manufacture, assembly, sale and delivery under this Agreement of any of the Aircraft, services, instructions and data delivered or furnished hereunder provided such charges have been promulgated and are enforceable under the laws of the Delivery Location.

5.8.3 The Buyer shall bear the costs of and pay any and all taxes, duties or similar charges of any nature whatsoever not assumed by the Seller under Clause 5.8.2 including but not limited to any duties or taxes due upon or in relation to the importation or registration of the Aircraft in the Buyer's country and/or any withholdings or deductions levied or required in the Buyer's country in respect of the payment to the Seller of any amount due by the Buyer hereunder.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**5.9 Proprietary Interest**

The Buyer shall not, by virtue of anything contained in this Agreement (including, without limitation, any Predelivery Payments hereunder, or any designation or identification by the Seller of a particular aircraft as an Aircraft to which any of the provisions of this Agreement refers) acquire any proprietary, insurable or other interest whatsoever in any Aircraft before Delivery of and payment for such Aircraft, as provided in this Agreement.

**5.10 Set-Off**

The Seller may set-off any matured obligation owed by the Buyer to the Seller and/or its Affiliates against any obligation (whether or not matured) owed by the Seller to the Buyer, regardless of the place of payment or currency (it being understood that if this obligation is unascertainable it may be estimated and the set-off made in respect of such estimate).

**5.11 Cross-Collateralisation**

5.11.1 The Buyer hereby agrees that, notwithstanding any provision to the contrary in this Agreement, in the event that the Buyer should fail to make any material payment owing under this Agreement or under any other agreement between the Buyer and the Seller and/or any of their respective Affiliates (the "Other Agreement"), the Seller may:

- (i) withhold payment to the Buyer or its Affiliates of any sums that may be due to or claimed by the Buyer or its Affiliates from the Seller or its Affiliates pursuant to this Agreement or any Other Agreement, including Predelivery Payments, unless or until the default under this Agreement or the Other Agreement is cured or remedied; and
- (ii) apply any amount of any Predelivery Payment it then holds under this Agreement in respect of any of the Aircraft as well as any other monies held pursuant to any Other Agreement (collectively the "Relevant Amounts") in such order as the Seller deems appropriate in satisfaction of any amounts due and unpaid by the Buyer or its Affiliates and to compensate for any losses and/or damages the Seller or its Affiliates may suffer as a result of the Buyer's or its Affiliates' failure to make payments in a timely manner under this Agreement or any Other Agreement. The Buyer acknowledges that the application of any of the Relevant Amounts as aforesaid may result in the Buyer or its Affiliates being in default (unless such default is otherwise cured or remedied) in relation to the agreement in respect of which such Relevant Amounts were originally granted or required to be paid, as the case may be.

The rights granted to the Seller in the preceding paragraphs (i) and (ii) are without prejudice and are in addition to and shall not be deemed a waiver of any other rights and remedies the Seller or its Affiliates may have at law or under this Agreement or any Other Agreement, including the right of set-off.



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5.11.2 In the event that the Seller applies any amount of any Predelivery Payment it then holds under this Agreement in respect of any of the Aircraft in satisfaction of the amount due and unpaid by the Buyer or its Affiliates or to compensate for losses and/or damages to the Seller or its Affiliates as a result of the Buyer's or its Affiliates' failure to make payment in a timely manner under the Agreement or any Other Agreement, then the Seller shall notify the Buyer to that effect. Within [\*\*\*] of issuance of such notification, the Buyer shall pay by wire transfer of funds immediately available to the Seller the amount of the Predelivery Payment that has been applied by the Seller as set forth above.

Failure of the Buyer to pay such amount in full, shall entitle the Seller to [\*\*\*] [\*\*\*] treat such failure as an additional termination event for which the Seller shall be entitled to the remedies available under Clause 20.2 of the Agreement.

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Clause 5 - Page 6/6

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



## 6 MANUFACTURE PROCEDURE - INSPECTION

### 6.1. Manufacture Procedure

Each Airframe shall be manufactured in accordance with the relevant requirements of the laws of the jurisdiction of incorporation of the Seller or of its relevant Affiliates as enforced by the Aviation Authority of such jurisdictions.

### 6.2. Inspection

6.2.1 Subject to providing the Seller with certificates evidencing compliance with the insurance requirements set forth in Clause 19, the Buyer or its duly authorised representatives (the "**Buyer's Inspector(s)**") shall be entitled to inspect the manufacture of the Airframe and all materials and parts obtained by the Seller for the manufacture of the Airframe on the following terms and conditions;

- (i) any inspection shall be made according to a procedure to be agreed upon with the Buyer but shall be conducted pursuant to the Seller's own system of inspection as developed under the supervision of the relevant Aviation Authority;
- (ii) the Buyer's Inspector(s) shall have access to such relevant technical data as is reasonably necessary for the purpose of the inspection;
- (iii) any inspection and any related discussions with the Seller and other relevant personnel by the Buyer's Inspectors) shall be at reasonable times during business hours and shall take place in the presence of relevant inspection department personnel of the Seller;
- (iv) the inspections shall be performed in a manner not to unduly delay or hinder the manufacture or assembly of the Aircraft or the performance of this Agreement by the Seller or any other work in progress at the Manufacture Facilities.

### 6.2.2. Location of Inspections

The Buyer's Inspector(s) shall be entitled to conduct any such inspection at the relevant Manufacture Facility of the Seller or its Affiliates and where possible at the Manufacture Facilities of the sub-contractors provided that if access to any part of the Manufacture Facilities where the Airframe manufacture is in progress or materials or parts are stored are restricted for security or confidentiality reasons, the Seller shall be allowed reasonable time to make the relevant items available elsewhere.

### 6.3. Seller's Service for Buyer's Inspector(s)

For the purpose of the inspections, and commencing with the date of this Agreement until the Delivery Date, the Seller shall furnish without additional charge suitable space and office equipment in or conveniently located with respect to the Delivery Location for the use of a reasonable number of Buyer's Inspector(s).





7 **CERTIFICATION**

7.1 **Type Certification**

The Aircraft shall have been type certificated under European Aviation Safety Agency (EASA) procedures for [\*\*\*] certification in the transport category. The Seller shall have obtained the relevant type certificate (the “**Type Certificate**”) to allow the issuance of the Export Airworthiness Certificate.

7.2 **Export Airworthiness Certificate**

7.2.1 The Aircraft shall be delivered to the Buyer with an Export Airworthiness Certificate valid for export of the Aircraft to Brazil.

7.2.2 If, any time before the date on which the Aircraft is Ready for Delivery, any law or regulation is enacted, promulgated, becomes effective and/or an interpretation of any law or regulation is issued which requires any change to the Specification for the purposes of obtaining the Export Airworthiness Certificate (a “**Change in Law**”), the Seller shall make the required variation or modification and the parties hereto shall sign a Specification Change Notice which specifies the effects, if any, upon the guaranteed performances, weights, interchangeability, time of Delivery, price of the Aircraft and text of the Specification.

7.2.3 The Seller shall as far as practicable (but at its sole discretion and without prejudice to Clause 7.3.1 (ii)) take into account the information available to it concerning any proposed law, regulation or interpretation which could become a Change in Law in order to minimise the costs of changes to the Specification as a result of such proposed law, regulation or interpretation becoming effective prior to the Aircraft being Ready for Delivery.

7.3 [\*\*\*]

7.3.1 [\*\*\*]

7.3.2 [\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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7.4 **Validation of the Export Airworthiness Certificate**

7.4.1 The Seller shall endeavour to obtain the validation of the Export Airworthiness Certificate by the Buyer's Aviation Authority.

7.4.2 Where the Buyer's Aviation Authority requires a modification to comply with additional import aviation requirements and/or supply of additional data prior to the issuance of the Export Airworthiness Certificate, the Seller shall incorporate such modification and/or provide such data at costs to be borne by the Buyer. The parties shall sign a Specification Change Notice which specifies the effects, if any, upon the guaranteed performances, weights, interchangeability, time of Delivery and price of the Aircraft.

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8 BUYER'S TECHNICAL ACCEPTANCE

8.1 Technical Acceptance Process

8.1.1 Prior to Delivery the Aircraft shall undergo the Seller's standard technical acceptance process (the "Technical Acceptance Process"). Completion of the Technical Acceptance Process shall demonstrate the satisfactory functioning of the Aircraft and shall be deemed to demonstrate compliance with the Specification. Should it be established that the Aircraft does not comply with the Technical Acceptance Process requirements, the Seller shall without hindrance from the Buyer be entitled to carry out any necessary changes and, as soon as practicable thereafter, resubmit the Aircraft to such further Technical Acceptance Process as is necessary to demonstrate the elimination of the non-compliance.

8.1.2 The Technical Acceptance Process shall:

- (i) commence on a date notified by the Seller to the Buyer as per Clause 9.1.2;
- (ii) take place at the Delivery Location;
- (iii) be carried out by the personnel of the Seller, with the Buyer's attendance as provided for in Clause 8.2 here below;
- (iv) include a technical acceptance flight which shall [\*\*\*]

8.2 Buyer's Attendance

8.2.1 The Buyer shall be entitled to elect to attend the Technical Acceptance Process.

8.2.2 If the Buyer elects to attend the Technical Acceptance Process, the Buyer;

- (i) shall co-operate in complying with the reasonable requirements of the Seller with the intention of completing the Technical Acceptance Process within [\*\*\*] after its commencement;
- (ii) may have a maximum of [\*\*\*] the Buyer's representatives (with no more than [\*\*\*] representatives having access to the cockpit at any one time) accompany the Seller's representatives on a technical acceptance flight and during such flight the Buyer's representatives shall comply with the instructions of the Seller's representatives.

8.2.3 If the Buyer, having been notified in accordance with Clause 9.1.2, does not attend and/or fails to co-operate in the Technical Acceptance Process, the Seller shall be entitled to complete the Technical Acceptance Process and the Buyer shall be deemed to have accepted the Technical Acceptance Process as satisfactory in all respects.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



8.3 **Certificate of Acceptance**

Upon successful completion of the Technical Acceptance Process, the Buyer shall, on or before the Delivery Date, sign and deliver to the Seller a certificate of acceptance in respect of the Aircraft in the form of Exhibit D (the “**Certificate of Acceptance**”).

8.4 **Aircraft Utilisation**

The Seller shall, without payment or other liability to the Buyer, be entitled to use the Aircraft prior to Delivery as may be necessary to obtain the certificates required under Clause 7.2, and such use shall not prejudice the Buyer’s obligation to accept Delivery of the Aircraft hereunder.

However the Seller shall not be authorised to use the Aircraft during more than [\*\*\*] for any other purpose without the specific agreement of the Buyer. Such utilization shall have no impact on the warranties provided in Clause 12 of the Agreement, and the Seller shall provide data in respect of pre-delivery utilisation if requested by the Buyer or the Buyer’s Aviation Authority.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



9 DELIVERY

9.1 Delivery Schedule

9.1.1 Subject to Clauses 2, 7, 8, 10 and 18, the Seller shall have the Aircraft Ready for Delivery at the Delivery Location within the following quarters:

| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Date</u>         |
|----------------------|----------------------|------------------------------|
| Aircraft N° 1        | A350-900 XWB         | 4 <sup>th</sup> Quarter 2013 |
| Aircraft N° 2        | A350-900 XWB         | 4 <sup>th</sup> Quarter 2013 |
| Aircraft N° 3        | A350-900 XWB         | 2 <sup>nd</sup> Quarter 2014 |
| Aircraft N° 4        | A350-900 XWB         | 2 <sup>nd</sup> Quarter 2014 |
| Aircraft N° 5        | A350-900 XWB         | 4 <sup>th</sup> Quarter 2014 |
| Aircraft N° 6        | A350-900 XWB         | [***]                        |
| Aircraft N° 7        | A350-900 XWB         |                              |
| Aircraft N° 8        | A350-900 XWB         |                              |
| Aircraft N° 9        | A350-900 XWB         |                              |
| Aircraft N° 10       | A350-900 XWB         |                              |
| Aircraft N° 11       | A350-800 XWB         | [***]                        |
| Aircraft N° 12       | A350-800 XWB         |                              |
| Aircraft N° 13       | A350-800 XWB         |                              |
| Aircraft N° 14       | A350-800 XWB         |                              |
| Aircraft N° 15       | A350-800 XWB         |                              |
| Aircraft N° 16       | A350-800 XWB         |                              |
| Aircraft N° 17       | A350-800 XWB         |                              |
| Aircraft N° 18       | A350-800 XWB         | [***]                        |
| Aircraft N° 19       | A350-800 XWB         |                              |
| Aircraft N° 20       | A350-800 XWB         |                              |
| Aircraft N° 21       | A350-800 XWB         |                              |
| Aircraft N° 22       | A350-800 XWB         |                              |

[\*\*\*]

subject to the Seller's then prevailing industrial and commercial constraints. Each of such months shall be, with respect to the corresponding Aircraft, the "Scheduled Delivery Month".

9.1.2 The Seller shall give the Buyer [\*\*\*] during the Scheduled Delivery Month in which the Aircraft is scheduled to be Ready for Delivery.

Thereafter, the Seller shall give the Buyer [\*\*\*] upon which the Aircraft shall be Ready for Delivery, such notification including the schedule of the Technical Acceptance Process as set forth in Clause 8.1.

Thereafter the Seller shall [\*\*\*] notify the Buyer in writing of any change in such date necessitated by the conditions of manufacture or flight.

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"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



9.2 **Delivery**

9.2.1 The Buyer shall send its representatives to the Delivery Location to take Delivery of, and collect, the Aircraft within [\*\*\*] after the date on which the Aircraft is Ready for Delivery and shall pay the Balance of the Final Price on or before the Delivery Date.

9.2.2 The Seller shall deliver and transfer title to the Aircraft free and clear of all encumbrances to the Buyer provided that the Balance of the Final Price has been paid by the Buyer pursuant to Clause 5.4 and that the Certificate of Acceptance has been signed and delivered to the Seller pursuant to Clause 8.3. The Seller shall provide the Buyer with a bill of sale in the form of Exhibit E (the “**Bill of Sale**”) and/or such other documentation confirming transfer of title and receipt of the Final Price as may reasonably be requested by the Buyer. Title to, property in and risk of loss of or damage to the Aircraft shall be transferred to the Buyer on Delivery.

9.2.3 Should the Buyer fail to

- (i) deliver the signed Certificate of Acceptance to the Seller upon successful completion of the Technical Acceptance Process within the delivery period as defined in Clause 9.2.1; or
- (ii) pay the Balance of the Final Price for the Aircraft to the Seller within the above defined period

then the Buyer shall be deemed to have rejected delivery of the Aircraft without warrant when duly tendered to it hereunder. In addition to Clause 5.7 and the Seller’s other rights under this Agreement, the Seller shall retain title to the Aircraft but the Buyer shall thereafter indemnify and hold the Seller harmless against any and all costs (including but not limited to any parking, storage, and insurance costs, but excluding any financial cost which shall be compensated by the amounts payable under Clause 5.7) and consequences resulting from such failure, it being understood that the Seller shall be under no duty to store, park, insure, or otherwise protect the Aircraft.

9.3 **Fly Away**

9.3.1 The Buyer and the Seller shall co-operate to obtain any licenses which may be required by the Aviation Authority of the Delivery Location for the purpose of exporting the Aircraft.

9.3.2 All expenses of, or connected with, flying the Aircraft from the Delivery Location after Delivery shall be borne by the Buyer. The Buyer shall make direct arrangements with the supplying companies for the fuel and oil required for all post-Delivery flights.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



10 **EXCUSABLE DELAY**

10.1 The Buyer acknowledges that the Aircraft are to be manufactured by Seller in performance of this Agreement and that the Scheduled Delivery Months are based on the assumption that there shall be no delay due to causes beyond the control of the Seller. Accordingly, Seller shall not be responsible for any delay in the Delivery of the Aircraft or delay or interruption in the performance of the other obligations of the Seller hereunder due to causes beyond its control, and not occasioned by its fault or negligence including (but without limitation) acts of God or the public enemy, war, civil war, warlike operations, terrorism, insurrections or riots, fires, explosions, natural disasters, compliance with any applicable foreign or domestic governmental regulation or order, labour disputes causing cessation, slowdown or interruption of work, inability after due and timely diligence to procure materials, equipment or parts, general hindrance in transportation or failure of a subcontractor or supplier to furnish materials, equipment or parts. Any delay or interruption resulting from any of the foregoing causes is referred to as an “**Excusable Delay**”.

10.2 If an Excusable Delay occurs:

- (i) the Seller shall notify the Buyer of such Excusable Delay as soon as practicable after becoming aware of the same;
- (ii) the Seller shall not be responsible for any damages arising from or in connection with such Excusable Delay suffered or incurred by the Buyer;
- (iii) the Seller shall not be deemed to be in default in the performance of its obligations hereunder as a result of such Excusable Delay; and
- (iv) the Seller shall as soon as practicable after the removal of the cause of the delay resume performance of its obligations under this Agreement and in particular shall notify to the Buyer the revised Scheduled Delivery Month.

10.3 **Termination on Excusable Delay**

10.3.1 If the Delivery of any Aircraft is delayed as a result of an Excusable Delay for a period of more than [\*\*\*]

10.3.2 If the Seller concludes that the Delivery of any Aircraft shall be delayed for more than [\*\*\*] after the last day of the Scheduled Delivery Month due to an Excusable Delay and as a result thereof reschedules Delivery of such Aircraft to a date or month reflecting such delay then the Seller shall promptly notify the Buyer in writing to this effect and shall include in such notification the new Scheduled Delivery Month. [\*\*\*]

10.3.3 If this Agreement shall not have been [\*\*\*] then the Seller shall be entitled to reschedule Delivery and the new Scheduled Delivery Month shall be notified to the Buyer and shall be binding on the parties.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



10.4 **Total Loss, Destruction or Damage**

If prior to Delivery, any Aircraft is lost, destroyed or in the reasonable opinion of the Seller is damaged beyond repair (“**Total Loss**”), the Seller shall notify the Buyer to this effect within [\*\*\*] of such occurrence. The Seller shall include in said notification (or as soon after the issue of the notice as such information becomes available to the Seller) the earliest date consistent with the Seller’s other commitments and production capabilities that an aircraft to replace the Aircraft may be delivered to the Buyer and the Scheduled Delivery Month shall be extended as specified in the Seller’s notice to accommodate the delivery of the replacement aircraft ; provided, however, that in the event the specified extension of the Scheduled Delivery Month to a month is exceeding twelve (12) months after the last day of the original Scheduled Delivery Month then this Agreement shall terminate with respect to said Aircraft unless:

- (i) the Buyer notifies the Seller within [\*\*\*] of the date of receipt of the Seller’s notice that it desires the Seller to provide a replacement aircraft during the month quoted in the Seller’s notice; and
- (ii) the parties execute an amendment to this Agreement recording the variation in the Scheduled Delivery Month; provided, however, that nothing herein shall require the Seller to manufacture and deliver a replacement aircraft if such manufacture would require the reactivation of its production line for the model or series of aircraft which includes the Aircraft purchased hereunder.

10.5 **Termination Rights Exclusive**

In the event that this Agreement shall be terminated as provided for under the terms of Clauses 10.3 or 10.4, such termination shall discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft and undelivered material, services, data or other items applicable thereto and to be furnished hereunder and neither party shall have any claim against the other for any loss resulting from such non-delivery. The Seller shall in no circumstances have any liability whatsoever for Excusable Delay other than as set forth in this Clause 10.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





11 **NON-EXCUSABLE DELAY**

11.1 [\*\*\*]

Should any of the Aircraft not be Ready for Delivery to the Buyer within thirty (30) days after the last day of the Scheduled Delivery Month (as varied by virtue of Clauses 2, 7 and 10) (the “**Delivery Period**”) and such delay is not as a result of an Excusable Delay or Total Loss (a “**Non-Excusable Delay**”), then the Buyer shall have the right to claim, and the Seller shall [\*\*\*]

11.2 **Re-negotiation**

If, as a result of Non-Excusable Delay, Delivery does not occur in the period falling [\*\*\*] after the Delivery Period, the Buyer shall have the right exercisable by written notice to the Seller given not less than [\*\*\*] nor more than [\*\*\*] after the expiration of the [\*\*\*] falling after the Delivery Period to require from the Seller a re-negotiation of the Scheduled Delivery Month for the affected Aircraft. Unless otherwise agreed between the Seller and the Buyer during such re-negotiation, the said re-negotiation shall not prejudice the Buyer’s right to [\*\*\*] in accordance with Clause 11.1 during the period of Non-Excusable Delay.

11.3 **Termination**

If, as a result of Non-Excusable Delay, Delivery does not occur in the period falling [\*\*\*] after the Delivery Period and the parties have not renegotiated the Delivery Date pursuant to Clause 11.2, either party shall have the right exercisable by written notice to the other party, given not less than [\*\*\*] nor more than [\*\*\*] after expiration of such [\*\*\*]

11.4 [\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**12 WARRANTIES AND SERVICE LIFE POLICY**

This Clause covers the terms and conditions of the warranty and service life policy.

**12.1 Standard Warranty**

**12.1.1 Nature of Warranty**

For the purpose of this Agreement the term “**Warranted Part**” shall mean any Seller proprietary component, equipment, accessory or part, which is installed on an Aircraft at Delivery thereof and

- (a) which is manufactured to the detailed design of the Seller or a subcontractor of the Seller and
- (b) which bears a part number of the Seller at the time of such Delivery.

Subject to the conditions and limitations as hereinafter provided for and except as provided for in Clause 12.1.2, the Seller warrants to the Buyer that each Aircraft and each Warranted Part shall at Delivery to the Buyer be free from defects:

- (i) in material;
- (ii) in workmanship, including without limitation processes of manufacture;
- (iii) in design (including without limitation the selection of materials) having regard to the state of the art at the date of such design; and
- (iv) arising from failure to conform to the Specification, except to those portions of the Specification relating to performance or where it is expressly stated that they are estimates, approximations or design aims.



**12.1.2 Exclusions**

The warranties set forth in Clause 12.1.1 shall not apply to Buyer Furnished Equipment, nor to the Propulsion Systems, nor to any component, equipment, accessory or part installed on the Aircraft at Delivery that is not a Warranted Part except that:

- (i) any defect in the Seller’s workmanship in respect of the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturers of such items, that invalidates any applicable warranty from such manufacturers, shall constitute a defect in workmanship for the purpose of this Clause 12.1 and be covered by the warranty set forth in Clause 12.1.1 (ii); and
- (ii) any defect inherent in the Seller’s design of the installation, in consideration of the state of the art at the date of such design, which impairs the use of such items, shall constitute a defect in design for the purpose of this Clause 12.1 and be covered by the warranty set forth in Clause 12.1.1 (iii).

**12.1.3 Warranty Period**

The warranties set forth in Clauses 12.1.1 and 12.1.2 shall be limited to those defects that become apparent within [\*\*\*] (the “**Warranty Period**”).

**12.1.4 Buyer’s Remedy and Seller’s Obligation**

12.1.4.1 The Buyer’s remedy and the Seller’s obligation and liability under Clauses 12.1.1 and 12.1.2 are limited to, at the Seller’s expense and option, the repair, replacement or correction of any Warranted Part which is defective (or to the supply of modification kits rectifying the defect), together with a credit to the Buyer’s account with the Seller of an amount equal to the mutually agreed direct labor costs expended in performing the removal and the reinstallation thereof on the Aircraft at the labor rate defined in Clause 12.1.7.5.

The Seller may alternatively furnish to the Buyer’s account with the Seller a credit equal to the price at which the Buyer is entitled to purchase a replacement for the defective Warranted Part.

12.1.4.2 In the event of a defect covered by Clauses 12.1.1 (iii), 12.1.1 (iv) and 12.1.2 (ii) becoming apparent within the Warranty Period, the Seller shall also, if so requested by the Buyer in writing, correct such defect in any Aircraft which has not yet been delivered to the Buyer, provided, however,

- (i) that the Seller shall not be responsible, nor deemed to be in default on account of any delay in Delivery of any Aircraft or otherwise in respect of the performance of this Agreement, due to the Seller’s undertaking to make such correction and provided further

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





12.1.6 **Warranty Administration**

The warranties set forth in Clause 12.1 shall be administered as hereinafter provided for:

12.1.6.1 Claim Determination

Warranty Claim determination by the Seller shall be based upon the claim details, reports from the Seller's Representatives, historical data logs, inspection, tests, findings during repair, defect analysis and other relevant documents.

12.1.6.2 Transportation Costs

The cost of transporting a Warranted Part claimed to be defective to the facilities designated by the Seller and for the return therefrom of a repaired or replaced Warranted Part shall be borne by the Buyer.

12.1.6.3 Return of an Aircraft

If the Buyer and the Seller mutually agree, prior to such return, that it is necessary to return an Aircraft to the Seller for consideration of a Warranty Claim, the Seller shall bear the direct costs of fuel and landing fees to and from the Seller's facilities for such return of the Aircraft. The Buyer shall make its reasonable efforts to minimize the duration of the corresponding flights.

12.1.6.4 On-Aircraft Work by the Seller

If the Seller determines that a defect subject to this Clause 12.1 justifies the dispatch by the Seller of a working team to repair or correct such defect through the embodiment of one or several Seller's Service Bulletins at the Buyer's facilities, or if the Seller accepts the return of an Aircraft to perform or have performed such repair or correction, [\*\*\*]

The condition which has to be fulfilled for on-Aircraft work by the Seller is that, in the opinion of the Seller, the work necessitates the technical expertise of the Seller as manufacturer of the Aircraft.

If said condition is fulfilled and if the Seller is requested to perform the work, the Seller and the Buyer shall agree on a schedule and place for the work to be performed.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.1.6.5 Warranty Claim Substantiation

Each Warranty Claim filed by the Buyer under this Clause 12.1 shall contain at least the following data:

- a) description of defect and action taken, if any,
- b) date of incident and/or removal date,
- c) description of Warranted Part claimed to be defective,
- d) part number,
- e) serial number (if applicable),
- f) position on Aircraft,
- g) total flying hours or calendar time, as applicable, at the date of defect appearance,
- h) time since last shop visit at the date of defect appearance,
- i) Manufacturer Serial Number of the Aircraft and/or its registration,
- j) Aircraft total flying hours and/or number of landings at the date of defect appearance,
- k) Warranty Claim number,
- l) date of Warranty Claim,
- m) Delivery Date of Aircraft or Warranted Part to the Buyer,

Warranty Claims are to be addressed as follows:

AIRBUS  
CUSTOMER SERVICES DIRECTORATE  
WARRANTY ADMINISTRATION  
Rond-Point Maurice Bellonte  
B.P. 33  
F-31707 BLAGNAC CEDEX  
FRANCE

12.1.6.6 Replacements

Title to and risk of loss of any Aircraft, component, accessory, equipment or part returned by the Buyer to the Seller shall at all times remain with the Buyer, except that:

- (i) risk of loss (limited to cost of replacement and excluding in particular loss of use) shall be with the Seller for as long as such Aircraft, component, accessory, equipment or part shall be under the care, custody and control of the Seller and;
- (ii) title to and risk of loss of a returned component, accessory, equipment or part shall pass to the Seller upon shipment by the Seller to the Buyer of any item furnished by the Seller to the Buyer as a replacement therefor.



Upon the Seller's shipment to the Buyer of any replacement component, accessory, equipment or part provided by the Seller pursuant to this Clause 12.1, title to and risk of loss of such replacement component, accessory, equipment or part shall pass to the Buyer.

12.1.6.7 Rejection

The Seller shall provide reasonable written substantiation in case of rejection of a Warranty Claim. In such event the Buyer shall refund to the Seller reasonable inspection and test charges incurred in connection therewith.

12.1.6.8 Inspection

The Seller shall have the right to inspect the affected Aircraft, documents and other records relating thereto in the event of any Warranty Claim under this Clause 12.1.

12.1.7 **Inhouse Warranty**

12.1.7.1 Seller's Authorization

The Seller hereby authorizes the Buyer to repair Warranted Parts ("**Inhouse Warranty**") subject to the terms of this Clause 12.1.7.

12.1.7.2 Conditions for Seller's Authorization

The Buyer shall be entitled to repair such Warranted Parts:

- provided the Buyer notifies the Seller Representative of its intention to perform Inhouse Warranty repairs before any such repairs are started [\*\*\*] The Buyer's notification shall include sufficient detail regarding the defect, estimated labor hours and material to allow the Seller to ascertain the reasonableness of the estimate. The Seller agrees to use all reasonable efforts to ensure a prompt response and shall not unreasonably withhold authorization;
- provided adequate facilities and qualified personnel are available to the Buyer;
- provided repairs are performed in accordance with the Seller's Technical Data or written instructions; and
- only to the extent specified by the Seller, or, in the absence of such specification, to the extent reasonably necessary to correct the defect, in accordance with the standards set forth in Clause 12.1.10.

12.1.7.3 Seller's Rights

The Seller shall have the right to require the return of any Warranted Part, or any part removed therefrom, which is claimed to be defective if, in the judgment of the Seller, the nature of the claimed defect requires technical investigation. Such return shall be subject to the provisions of Clause 12.1.6.2. Furthermore, the Seller shall have the right to have a Seller Representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective, subject to such presence being practical and not unduly delaying the repair.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.1.7.4 Inhouse Warranty Claim Substantiation

Claims for Inhouse Warranty credit shall be filed within the time period set forth in 12.1.5 (ii) and shall contain the same information as that required for Warranty Claims under Clause 12.1.6.5 and in addition shall include:

- a) a report of technical findings with respect to the defect,
- b) for parts required to remedy the defect:
  - part numbers,
  - serial numbers (if applicable),
  - parts description,
  - quantity of parts,
  - unit price of parts,
  - related Seller's or third party's invoices (if applicable),
  - total price of parts,
- c) detailed number of labor hours,
- d) Inhouse Warranty Labor Rate,
- e) total claim value.

12.1.7.5 [\*\*\*]

[\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





12.1.7.6 Limitation

[\*\*\*]

12.1.7.7 Scrapped Material

The Buyer shall retain any defective Warranted Part beyond economic repair and any defective part removed from a Warranted Part during repair for a period of either [\*\*\*] Such parts shall be returned to the Seller within [\*\*\*] of receipt of the Seller's request to that effect.

Notwithstanding the foregoing, the Buyer may scrap any such defective parts, which are beyond economic repair and not required for technical evaluation locally, with the agreement of the Seller Representative(s).

Scrapped Warranted Parts shall be evidenced by a record of scrapped material certified by an authorized representative of the Buyer and shall be kept in the Buyer's file for a least the duration of the applicable Warranty Period.

12.1.8 **Standard Warranty in case of Pooling or Leasing Arrangements**

Without prejudice to Clause 21.1, the warranties provided for in this Clause 12.1 for any Warranted Part shall accrue to the benefit of any airline in revenue service, other than the Buyer, if the Warranted Part enters into the possession of any such airline as a result of a pooling or leasing agreement between such airline and the Buyer, in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties and to the extent permitted by any applicable law or regulations.

12.1.9 **Warranty for Corrected, Replaced or Repaired Warranted Parts**

Whenever any Warranted Part, which contains a defect for which the Seller is liable under Clause 12.1, has been corrected, replaced or repaired pursuant to the terms of this Clause 12.1, the period of the Seller's warranty with respect to such corrected, repaired or replacement Warranted Part, whichever the case may be, shall be the remaining portion of the original warranty or twelve (12) months, whichever is longer.

If a defect is attributable to a defective repair or replacement by the Buyer, a Warranty Claim with respect to such defect shall be rejected, notwithstanding any subsequent correction or repair, and shall immediately terminate the remaining warranties under this Clause 12.1 in respect of the affected Warranted Part.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.1.10 **Accepted Industry Standard Practices - Normal Wear and Tear**

The Buyer's rights under this Clause 12.1 are subject to the Aircraft and each component, equipment, accessory and part thereof being maintained, overhauled, repaired and operated in accordance with accepted industry standard practices, all Technical Data and any other instructions issued by the Seller, the Suppliers and the Propulsion Systems Manufacturer and all applicable rules, regulations and directives of the relevant Aviation Authorities.

The Seller's liability under this Clause 12.1 shall not extend to normal wear and tear nor to:

- (i) any Aircraft or component, equipment, accessory or part thereof, which has been repaired, altered or modified after Delivery, except by the Seller or in a manner approved by the Seller;
- (ii) any Aircraft or component, equipment, accessory or part thereof, which has been operated in a damaged state;
- (iii) any component, equipment, accessory and part from which the trademark, name, part or serial number or other identification marks have been removed.

12.1.11 **Limitation of liability**

THE SELLER SHALL NOT BE LIABLE FOR, AND THE BUYER SHALL INDEMNIFY THE SELLER AGAINST, ANY CLAIMS FROM ANY THIRD PARTIES FOR LOSSES DUE TO ANY DEFECT OR NON-CONFORMITY OF ANY KIND, ARISING OUT OF OR IN CONNECTION WITH ANY REPAIR OF ANY WARRANTED PART UNDERTAKEN BY THE BUYER UNDER THIS CLAUSE 12.1 OR ANY OTHER ACTIONS UNDERTAKEN BY THE BUYER UNDER THIS CLAUSE 12, WHETHER SUCH CLAIM IS ASSERTED IN CONTRACT OR IN TORT, OR IS PREMISED ON ALLEGED, ACTUAL, IMPUTED, ORDINARY OR INTENTIONAL ACTS OR OMISSIONS OF THE BUYER.

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**12.2 Seller Service Life Policy**

12.2.1 In addition to the warranties set forth in Clause 12.1, the Seller further agrees that should a Failure occur in any Item (as these terms are defined herebelow) that has not suffered from an extrinsic force, then, subject to the general conditions and limitations set forth in Clause 12.2.4, the provisions of this Clause 12.2 shall apply.

For the purposes of this Clause 12.2:

- (i) “Item” means any item listed in Exhibit “F”;
- (ii) “Failure” means a breakage or defect that can reasonably be expected to occur on a fleetwide basis and which materially impairs the utility of the Item.

**12.2.2 Periods and Seller’s Undertakings**

The Seller agrees that if a Failure occurs in an Item before the Aircraft in which such Item was originally installed [\*\*\*] the Seller shall, at its discretion and as promptly as practicable and with the Seller’s financial participation as hereinafter provided, either:

- design and furnish to the Buyer a correction for such Item with a Failure and provide any parts required for such correction (including Seller designed standard parts but excluding industry standard parts), or
- replace such Item.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.2.3 **Seller's Participation in the Costs**

Subject to the general conditions and limitations set forth in Clause 12.2.4, any part or Item that the Seller is required to furnish to the Buyer under this Service Life Policy in connection with the correction or replacement of an Item shall be furnished to the Buyer at the Seller's then current sales price therefore, less the Seller's financial participation determined in accordance with the following formula:

[\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.2.4 **General Conditions and Limitations**

- 12.2.4.1 The undertakings set forth in this Clause 12.2 shall be valid after the period of the Seller’s warranty applicable to an Item under Clause 12.1.
- 12.2.4.2 The Buyer’s remedies and the Seller’s obligations and liabilities under this Service Life Policy are subject to the prior compliance by the Buyer with the following conditions:
  - (i) the Buyer shall maintain log books and other historical records with respect to each Item, adequate to enable the Seller to determine whether the alleged Failure is covered by this Service Life Policy and, if so, to define the portion of the costs to be borne by the Seller in accordance with Clause 12.2.3;
  - (ii) the Buyer shall keep the Seller informed of any significant incidents relating to an Aircraft, howsoever occurring or recorded;
  - (iii) the Buyer shall comply with the conditions of Clause 12.1.10;
  - (iv) the Buyer shall implement specific structural inspection programs for monitoring purposes as may be established from time to time by the Seller, Such programs shall be as compatible as possible with the Buyer’s operational requirements and shall be carried out at the Buyer’s expense. Reports relating thereto shall be regularly furnished to the Seller;
  - (v) the Buyer shall report any breakage or defect in a Item in writing to the Seller within sixty (60) days after such breakage or defect becomes apparent, whether or not said breakage or defect can reasonably be expected to occur in any other aircraft, and the Buyer shall have provided to the Seller sufficient detail on the breakage or defect to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.
- 12.2.4.3 Except as otherwise provided for in this Clause 12.2, any claim under this Service Life Policy shall be administered as provided for in, and shall be subject to the terms and conditions of, Clause 12.1.6.
- 12.2.4.4 In the event of the Seller having issued a modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit free of charge or under a pro rata formula. If such a kit is so offered to the Buyer, then, to the extent of such Failure and any Failures that could ensue therefrom, the validity of the Seller’s commitment under this Clause 12.2 shall be subject to the Buyer incorporating such modification in the relevant Aircraft, as promulgated by the Seller and in accordance with the Seller’s instructions, within a reasonable time.
- 12.2.4.5 This Service Life Policy is neither a warranty, performance guarantee, nor an agreement to modify any Aircraft or Airframe components to conform to new developments occurring in the state of airframe design and manufacturing art.

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The Seller's obligation hereunder is to furnish only those corrections to the Items or provide replacements therefor as provided for in this Clause 12.2.

The Buyer's sole remedy and relief for the non-performance of any obligation or liability of the Seller arising under or by virtue of this Service Life Policy shall be in the form of a credit, limited to the amount the Buyer reasonably expends in procuring a correction or replacement for any Item that is the subject of a Failure covered by this Service Life Policy and to which such non-performance is related.

The Buyer hereby waives, releases and renounces all claims to any further damages, direct, incidental or consequential, including loss of profits and all other rights, claims and remedies, arising under or by virtue of this Service Life Policy.

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**12.3 Supplier Warranties and Service Life Policies**

Prior to the Delivery of the first Aircraft, the Seller shall provide the Buyer with such warranties and service life policies that the Seller has obtained pursuant to the Supplier Product Support Agreements.

**12.3.1 Definitions**

12.3.1.1 “**Supplier**” means any supplier of Supplier Parts.

12.3.1.2 “**Supplier Part**” means any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof and for which there exists a Supplier Product Support Agreement. However, the Propulsion Systems and Buyer Furnished Equipment and other equipment selected by the Buyer to be supplied by suppliers with whom the Seller has no existing enforceable warranty agreements are not Supplier Parts.

12.3.1.3 “**Supplier Product Support Agreement**” means an agreement between the Seller and a Supplier containing enforceable and transferable warranties and, in the case of landing gear suppliers, service life policies for selected structural landing gear elements.

**12.3.2 Supplier’s Default**

12.3.2.1 In the event of any Supplier, under any standard warranty obtained by the Seller pursuant to Clause 12.3.1, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.1 shall apply to the extent the same would have been applicable had such Supplier Part been a Warranted Part, except that the Supplier’s warranty period as indicated in the Supplier Product Support Agreement shall apply.

12.3.2.2 In the event of any Supplier, under any Supplier Service Life Policy obtained by the Seller pursuant to Clause 12.3.1, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.2 shall apply to the extent the same would have been applicable had such Supplier Item been listed in Exhibit F, Seller Service Life Policy, except that the Supplier’s Service Life Policy period as indicated in the Supplier Product Support Agreement shall apply.

12.3.2.3 At the Seller’s request, the Buyer shall assign to the Seller, and the Seller shall be subrogated to, all of the Buyer’s rights against the relevant Supplier with respect to and arising by reason of such default and shall provide reasonable assistance to enable the Seller to enforce the rights so assigned.



**12.4 Interface Commitment**

**12.4.1 Interface Problem**

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction, the cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer but which the Buyer reasonably believes to be attributable to the design characteristics of one or more components of the Aircraft (“**Interface Problem**”), the Seller shall, if so requested by the Buyer, and without additional charge to the Buyer except for transportation of the Seller’s personnel to the Buyer’s facilities, promptly conduct or have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and to recommend such corrective action as may be feasible. The Buyer shall furnish to the Seller all data and information in the Buyer’s possession relevant to the Interface Problem and shall cooperate with the Seller in the conduct of the Seller’s investigations and such tests as may be required.

At the conclusion of such investigation, the Seller shall promptly advise the Buyer in writing of the Seller’s opinion as to the cause or causes of the Interface Problem and the Seller’s recommendations as to corrective action.

**12.4.2 Seller’s Responsibility**

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller shall, if so requested by the Buyer and pursuant to the terms and conditions of Clause 12.1, correct the design of such Warranted Part to the extent of the Seller’s obligation as defined in Clause 12.1.

**12.4.3 Supplier’s Responsibility**

If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller shall, if so requested by the Buyer, reasonably assist the Buyer in processing any warranty claim the Buyer may have against the Supplier.

**12.4.4 Joint Responsibility**

If the Seller determines that the interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller shall, if so requested by the Buyer, seek a solution to the Interface Problem through cooperative efforts of the Seller and any Supplier involved.

The Seller shall promptly advise the Buyer of such corrective action as may be proposed by the Seller and any such Supplier. Such proposal shall be consistent with any then existing obligations of the Seller hereunder and of any such Supplier towards the Buyer. Such corrective action, when accepted by the Buyer, shall constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem.





12.4.5 **General**

12.4.5.1 All requests under this Clause 12.4 shall be directed to both the Seller and the Supplier.

12.4.5.2 Except as specifically set forth in this Clause 12.4, this Clause shall not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Clause 12.

12.4.5.3 All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Clause 12.4 shall be deemed to be delivered under this Agreement and shall be subject to the terms, covenants and conditions set forth in this Clause 12.

12.5 **Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER (AS DEFINED BELOW FOR THE PURPOSES OF THIS CLAUSE) AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 12 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW, CONTRACT OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT OF ANY KIND, IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO:

- A. ANY WARRANTY AGAINST HIDDEN DEFECTS;
- B. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- C. ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE;
- D. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER IN CONTRACT OR IN TORT, WHETHER OR NOT ARISING FROM THE SELLER'S NEGLIGENCE ACTUAL OR IMPUTED; AND
- E. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM, OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES,

PROVIDED THAT IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE THE REMAINDER OF THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

FOR THE PURPOSES OF THIS CLAUSE 12.5, THE "SELLER" SHALL BE UNDERSTOOD TO INCLUDE THE SELLER, ANY OF ITS SUPPLIERS AND SUBCONTRACTORS, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.



**12.6 Duplicate Remedies**

The Seller shall not be obliged to provide any remedy that duplicates any other remedy available to the Buyer in respect of the same defect under Clauses 12.1 and 12.2 as such Clauses may be amended, complemented or supplemented by other contractual agreements or by other Clauses of this Agreement.

**12.7 Negotiated Agreement**

The Buyer specifically recognizes that:

- (i) the Specification has been agreed upon after careful consideration by the Buyer using its judgment as a professional operator of aircraft used in public transportation and as such is a professional within the same industry as the Seller;
- (ii) this Agreement, and in particular this Clause 12, has been the subject of discussion and negotiation and is fully understood by the Buyer; and
- (iii) the price of the Aircraft and the other mutual agreements of the Buyer set forth in this Agreement were arrived at in consideration of, inter alia, the provisions of this Clause 12, specifically including the waiver, release and renunciation by the Buyer set forth in Clause 12.5.

**12.8 Disclosure to Third Party Entity**

In the event of the Buyer intending to designate a third party entity (a "Third Party Entity") to administrate this Clause 12, the Buyer shall notify the Seller of such intention prior to any disclosure of this Clause to the selected Third Party Entity and shall cause such Third Party Entity to enter into a confidentiality agreement and or any other relevant documentation with the Seller solely for the purpose of administrating this Clause 12.

**12.9 Transferability**

Notwithstanding the provisions of Clause 12.1.8 hereof and without prejudice to Clause 21.1, the Buyer's rights under this Clause 12 shall not be assigned, sold, transferred, novated or otherwise alienated by operation of law or otherwise, without the Seller's prior written consent thereto, which shall not be unreasonably withheld.

Any unauthorized assignment, sale, transfer, novation or other alienation of the Buyer's rights under this Clause 12 shall, as to the particular Aircraft involved, immediately void this Clause 12 in its entirety.



13 **PATENT AND COPYRIGHT INDEMNITY**

13.1 **Indemnity**

13.1.1 Subject to the provisions of Clause 13.2.3, the Seller shall indemnify the Buyer from and against any damages, costs or expenses including legal costs (excluding damages, costs, expenses, loss of profits and other liabilities in respect of or resulting from loss of use of the Aircraft) resulting from any infringement or claim of infringement by the Airframe (or any part or software installed therein at Delivery) of:

(i) any British, French, German, Spanish or U.S. patent;

and

(ii) any patent issued under the laws of any other country in which the Buyer may lawfully operate the Aircraft, provided that:

(1) from the time of design of such Airframe, accessory, equipment or part and until infringement claims are resolved, such country and the flag country of the Aircraft are each a party to the Chicago Convention on International Civil Aviation of December 7, 1944, and are each fully entitled to all benefits of Article 27 thereof,

or in the alternative,

(2) from such time of design and until infringement claims are resolved, such country and the flag country of the Aircraft are each a party to the International Convention for the Protection of Industrial Property of March 20, 1883 ("Paris Convention");

and

(iii) in respect of computer software installed on the Aircraft, any copyright, provided that the Seller's obligation to indemnify shall be limited to infringements in countries which, at the time of infringement, are members of The Berne Union and recognise computer software as a "work" under the Berne Convention.

13.1.2 Clause 13.1.1 shall not apply to

(i) Buyer Furnished Equipment or Engines; or

(ii) parts not supplied pursuant to a Supplier Product Support Agreement; or

(iii) software not created by the Seller.

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13.1.3 In the event that the Buyer is prevented from using the Aircraft (whether by a valid judgement of a court of competent jurisdiction or by a settlement arrived at between claimant, Seller and Buyer), the Seller shall at its expense either:

- (i) procure for the Buyer the right to use the same free of charge to the Buyer; or
- (ii) replace the infringing part of the Aircraft as soon as possible with a non-infringing substitute complying in all other respects with the requirements of this Agreement.

13.2 **Administration of Patent and Copyright Indemnity Claims**

13.2.1 If the Buyer receives a written claim or a suit is threatened or commenced against the Buyer for infringement of a patent or copyright referred to in Clause 13.1, the Buyer shall:

- (i) forthwith notify the Seller giving particulars thereof;
- (ii) furnish to the Seller all data, papers and records within the Buyer's control or possession relating to such patent or claim;
- (iii) refrain from admitting any liability or making any payment or assuming any expenses, damages, costs or royalties or otherwise acting in a manner prejudicial to the defense or denial of such suit or claim provided always that nothing in this sub-Clause (iii) shall prevent the Buyer from paying such sums as may be required in order to obtain the release of the Aircraft, provided such payment is accompanied by a denial of liability and is made without prejudice;
- (iv) fully co-operate with, and render all such assistance to, the Seller as may be pertinent to the defense or denial of the suit or claim;
- (v) act in such a way as to mitigate damages and / or to reduce the amount of royalties which may be payable as well as to minimise costs and expenses.

13.2.2 The Seller shall be entitled either in its own name or on behalf of the Buyer to conduct negotiations with the party or parties alleging infringement and may assume and conduct the defense or settlement of any suit or claim in the manner which, in the Seller's opinion, it deems proper.

13.2.3 The Seller's liability hereunder shall be conditional upon the strict and timely compliance by the Buyer with the terms of this Clause and is in lieu of any other liability to the Buyer express or implied which the Seller might incur at law as a result of any infringement or claim of infringement of any patent or copyright.



**14. TECHNICAL DATA AND SOFTWARE SERVICES**

**14.1 Scope**

This Clause 14 covers the terms and conditions for the supply of technical data (hereinafter “**Technical Data**”) and software services described hereunder (hereinafter “**Software Services**”) to support the Aircraft operation.

14.1.1 The Technical Data shall be supplied in the English language using the aeronautical terminology in common use.

14.1.2 Range, type, format, quantity and delivery schedule of the Technical Data to be provided under this Agreement are outlined in Exhibit G hereto.

**14.2 Aircraft Identification for Technical Data**

14.2.1 For those Technical Data that are customized to the Buyer’s Aircraft, the Buyer agrees to the allocation of fleet serial numbers (“**Fleet Serial Numbers**”) in the form of block of numbers selected in the range from 001 to 999.

14.2.2 The sequence shall not be interrupted unless two (2) different Propulsion Systems or two (2) different Aircraft models are selected.

14.2.3 The Buyer shall indicate to the Seller the Fleet Serial Number allocated to each Aircraft corresponding to the delivery schedule set forth in Clause 9.1.1 within forty-five (45) days after execution of this Agreement. Neither the designation of such Fleet Serial Numbers nor the subsequent allocation of the Fleet Serial Numbers to Manufacturer Serial Numbers for the purpose of producing certain customized Technical Data shall constitute any property, insurable or other interest of the Buyer in any Aircraft prior to the Delivery of such Aircraft as provided for in this Agreement.

The customized Technical Data that are affected thereby are the following:

- Aircraft Maintenance Manual,
- Illustrated Parts Catalog,
- Trouble Shooting Manual,
- Aircraft Wiring Manual,
- Aircraft Schematics Manual,
- Aircraft Wiring Lists.

**14.3 Integration of Equipment Data**

**14.3.1 Supplier Equipment**

Information, including revisions, relating to Supplier equipment that is installed on the Aircraft at Delivery or through Airbus Service Bulletins thereafter shall be introduced into the customized Technical Data to the extent necessary for the comprehension of the affected systems, at no additional charge to the Buyer.



14.3.2 **Buyer Furnished Equipment**

- 14.3.2.1 The Seller shall introduce data related to Buyer Furnished Equipment, for equipment that is installed on the Aircraft by the Seller (hereinafter “BFE Data”) into the customized Technical Data, at no additional charge to the Buyer for the initial issue of the Technical Data provided at first Aircraft Delivery, provided such BFE Data is provided in accordance with the conditions set forth in Clauses 14.3.2.2 through 14.3.2.6.
- 14.3.2.2 The Buyer shall supply the BFE Data to the Seller at least six (6) months prior to the Scheduled Delivery Month of the first Aircraft.
- 14.3.2.3 The BFE Data shall be supplied in English and shall be established in compliance with the then applicable revision of ATA /Specification 2200 (iSpec 2200), Information Standards for Aviation Maintenance.
- 14.3.2.4 The Buyer and the Seller shall agree on the requirements for the provision to the Seller of BFE Data for “on-aircraft maintenance”, such as but not limited to timeframe, media and format in which the BFE Data shall be supplied to the Seller, in order to manage the BFE Data integration process in an efficient, expeditious and economic manner.
- 14.3.2.5 The BFE Data shall be delivered in digital format (SGML) and/or in Portable Document Format (PDF), as agreed between the Buyer and the Seller.
- 14.3.2.6 All costs related to the delivery to the Seller of the applicable BFE Data shall be borne by the Buyer.

**14.4 Supply**

- 14.4.1 Except as specifically otherwise set forth in Exhibit G, all Technical Data shall be made available on-line through the relevant services on the Seller’s customer portal AirbusWorld.
- 14.4.2 Off-line Technical Data shall only be supplied upon explicit request from the Buyer, to cover some specific back-up requirements.
- 14.4.3 Delivery
  - 14.4.3.1 Should the parties agree on the supply of certain Technical Data off-line, such Technical Data and corresponding revisions shall be sent to up to two (2) addresses as indicated by the Buyer.
  - 14.4.3.2 Technical Data provided off-line shall be delivered by the Seller at the Buyer’s named place of destination under DDU conditions. The term Delivery Duty Unpaid (DDU) is defined by publication n° 560 of the International Chamber of Commerce, published in January 2000.
  - 14.4.3.3 The Technical Data shall be delivered according to a mutually agreed schedule to correspond with the Deliveries of Aircraft. The Buyer shall provide no less than [\*\*\*] notice when requesting a change to such delivery schedule.
- 14.4.4 It shall be the responsibility of the Buyer to coordinate and satisfy local Aviation Authorities’ requirements with respect to Technical Data. Reasonable quantities of such Technical Data shall be supplied by the Seller [\*\*\*] to the Buyer at the Buyer’s named place of destination.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**14.5 Revision Service**

Unless otherwise specifically stated, revision service for the Technical Data shall be provided [\*\*\*] covered under the Agreement (the “Revision Service Period”).

Thereafter revision service shall be provided at the standard conditions set forth in the then current Seller’s Customer Services Catalog.

Mandatory changes shall be incorporated into the Technical Publications [\*\*\*]

**14.6 Service Bulletins (SB) Incorporation**

During the Revision Service Period and upon the Buyer’s request, which shall be made within two years after issuance of the applicable Service Bulletin, Seller Service Bulletin information shall be incorporated into the Technical Data, provided that the Buyer notifies the Seller through the relevant AirbusWorld on-line Service Bulletin Reporting application that it intends to accomplish such Service Bulletin, after which post Service Bulletin status shall be shown.

**14.7 Technical Data Familiarization**

Upon request by the Buyer, the Seller [\*\*\*]

**14.8 Customer Originated Changes (COC)**

In the event of the Buyer wishing to introduce Buyer originated data (hereinafter “COC Data”) into any of the customized Technical Data that are identified as eligible for such incorporation in the Seller’s then current Customer Services Catalog, the Buyer shall notify the Seller of such intention.

The incorporation of any COC Data shall be performed under the methods and tools for achieving such introduction and the conditions specified in the Seller’s then current Customer Services Catalog.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**14.9 Technical Data as Advanced Consultation Tools**

14.9.1 The Technical Data domains listed herebelow shall be provided on-line and/or off-line as may be requested by the Buyer. The corresponding advanced consultation tool shall include the necessary navigation software and viewer to browse the Technical Data (hereinafter together referred to as “Advanced Consultation Tools”).

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14.9.2 The Advanced Consultation Tools encompass the following domains:

- Maintenance,
- Planning,
- Repair,
- Workshop,
- Associated Data,
- Engineering.

14.9.3 Further details on the Technical Data included in such Advanced Consultation Tools are set forth in Exhibit “G”.

14.9.4 The licensing conditions for the use of AiN@v Family integrated software shall be as set forth in Part 1 of Exhibit I to the Agreement, “License for Use of Software”.

14.9.5 The revision service and the license to use AirN@v Family products [\*\*\*]

**14.10 On-Line Technical Data**

14.10.1 The Technical Data defined in Exhibit “G” as being provided on-line shall be made available to the Buyer through the Secure Area of the Airbus customer portal AirbusWorld (“AirbusWorld”), as further described in Part 2 of Exhibit I to the Agreement.

14.10.2 Such provision [\*\*\*]

14.10.3 Access to the Secure Area shall be subject to the “General Terms and Conditions of Access to and Use of the Secure Area of AirbusWorld” (hereinafter the “GTC”), as set forth in Part 4 of Exhibit I to this Agreement.

14.10.4 The list of the Technical Data provided on-line may be extended from time to time.

For any Technical Data which is or becomes available on-line, the Seller reserves the right to suppress other formats for the concerned Technical Data.

14.10.5 Access to the Secure Area [\*\*\*] of the Buyer’s users (including one Buyer Administrator) for the Technical Data related to the Aircraft which shall be operated by the Buyer.

14.10.6 For the sake of clarification, it is hereby specified that Technical Data accessed through the Secure Area - which access shall be covered by the terms and conditions set forth in the GTC – shall remain subject to the conditions of this Clause 14.

In addition, should the Secure Area provide access to Technical Data in software format, the use of such software shall be further subject to the conditions of Part 1 of Exhibit I to the Agreement.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**14.11 Waiver, Release and Renunciation**

14.11.1 The Seller warrants that the Technical Data are prepared in accordance with the state of art at the date of their conception, Should any Technical Data prepared by the Seller contain non-conformity or defect, the sole and exclusive liability of the Seller shall be to take all reasonable and proper steps to correct such Technical Data. Notwithstanding the above, no warranties of any kind shall be given for the Customer Originated Changes, as set forth in Clause 14.8.

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER (AS DEFINED BELOW FOR THE PURPOSES OF THIS CLAUSE) AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 14 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW, CONTRACT OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT OF ANY KIND, IN ANY TECHNICAL DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO:

- A. ANY WARRANTY AGAINST HIDDEN DEFECTS;
- B. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- C. ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE;
- D. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER IN CONTRACT OR IN TORT, WHETHER OR NOT ARISING FROM THE SELLER'S NEGLIGENCE, ACTUAL OR IMPUTED; AND
- E. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM, OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES;

PROVIDED THAT, IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE, THE REMAINDER OF THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

FOR THE PURPOSES OF THIS CLAUSE 14, THE "SELLER" SHALL BE UNDERSTOOD TO INCLUDE THE SELLER, ANY OF ITS SUPPLIERS AND SUBCONTRACTORS, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

**14.12 Proprietary Rights**

14.12.1 All proprietary rights, including but not limited to patent, design and copyrights, relating to Technical Data shall remain with the Seller and/or its Affiliates as the case may be.



These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer.

14.12.2 Whenever this Agreement and/or any Technical Data provides for manufacturing by the Buyer, the consent given by the Seller shall not be construed as express or implicit approval howsoever neither of the Buyer nor of the manufactured products. The supply of the Technical Data shall not be construed as any further right for the Buyer to design or manufacture any Aircraft or part thereof or spare part.

**14.13 Performance Engineer’s Program**

14.13.1 In addition to the Technical Data provided under Clause 14, the Seller shall provide to the Buyer Software Services, which shall consist of the Performance Engineer’s Programs (“**PEP**”) for the Aircraft type covered under this Agreement. Such PEP is composed of software components and databases and its use is subject to the license conditions set forth in Part 1 of Exhibit I to the Agreement “License for Use of Software”.

14.13.2 Use of the PEP shall be limited to [\*\*\*] to be used on the Buyer’s computers for the purpose of computing performance engineering data. The PEP is intended for use on ground only and shall not be embarked on board the Aircraft.

14.13.3 The license to use the PEP and the revision service [\*\*\*] as set forth in Clause 14.5.

**14.14 Future Developments**

The Seller continuously monitors technological developments and applies them to Technical Data, document and information systems’ functionalities, production and methods of transmission.

The Seller shall implement and the Buyer shall accept such new developments, it being understood that the Buyer shall be informed in due time by the Seller of such new developments and their application and of the date by which the same shall be implemented by the Seller.

**14.15 Confidentiality**

14.15.1 This Clause, the Technical Data, the Software Services and their content are designated as confidential. All such Technical Data and Software Services are provided to the Buyer for the sole use of the Buyer who undertakes not to disclose the contents thereof to any third party without the prior written consent of the Seller save as permitted therein or pursuant to any government or legal requirement imposed upon the Buyer.

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Clause 14 - 7/8

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



14.15.2 In the event of the Seller authorizing the disclosure of this Clause or any Technical Data or Software Services to third parties either under this Agreement or by an express prior written authorization and specifically, in the event of the Buyer intending to designate a maintenance and repair organization or a third party to perform the maintenance of the Aircraft or to perform data processing on its behalf (each a “**Third Party**”), the Buyer shall notify the Seller of such intention prior to any disclosure of this Clause and/or the Technical Data and/or the Software Services to such Third Party.

The Buyer hereby undertakes to cause such Third Party to agree to be bound by the conditions and restrictions set forth in this Clause 14 with respect to the disclosed Clause, Technical Data or Software Services and shall in particular cause such Third Party to enter into a confidentiality agreement with the Seller and appropriate licensing conditions, and to commit to use the Technical Data solely for the purpose of maintaining the Buyer’s Aircraft and the Software Services exclusively for processing the Buyer’s data.

**14.16 Transferability**

Without prejudice to Clause 21.1, the Buyer’s rights under this Clause 14 may not be assigned, sold, transferred, novated or otherwise alienated by operation of law or otherwise, without the Seller’s prior written consent.

Any transfer in violation of this Clause 14.16 shall, as to the particular Aircraft involved, void the rights and warranties of the Buyer under this Clause 14 and any and all other warranties that might arise under or be implied in law.

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**15 SELLER REPRESENTATIVES**

**15.1 Customer Support Director**

The Seller shall [\*\*\*] customer support manager based at the Seller’s main office to coordinate customer support matters between the Seller’s main office and the Buyer after signature of this Agreement [\*\*\*]

**15.2 Customer Services Representatives**

15.2.1 The Seller shall provide [\*\*\*] the services of Seller customer services representatives (“**Seller’s Representatives**”) acting in an advisory capacity as defined in Appendix A of this Clause 15.

15.2.2 In the event of a need for non-routine technical assistance, the Buyer shall have non-exclusive access to the Seller’s Representatives closest to the Buyer’s main base after the end of the assignment of the Seller’s Representatives referred to in Appendix A of this Clause 15. A list of the contacts for the Seller’s Representatives closest to the Buyer’s main base shall be provided to the Buyer.

15.2.3 The Seller shall cause similar services to be provided by competent representatives of the Engines Manufacturer and by Supplier representatives when reasonably necessary and applicable.

15.2.4 The Seller shall provide to the Buyer an annual written accounting of the consumed man-months and any remaining man-month balance. Such accounting shall be deemed as final and acceptable to the Buyer unless the Seller receives written objection from the Buyer within [\*\*\*] of receipt of such accounting.

15.2.5 If requested by the Buyer, Seller Representative services exceeding the allocation specified in Appendix A of this Clause 15 may be provided by the Seller subject to terms and conditions to be mutually agreed.

**15.3 Buyer’s Service**

15.3.1 From the date of arrival of the first of the Seller’s Representatives and for the duration of the assignment, the Buyer shall provide [\*\*\*] a suitable lockable office, conveniently located with respect to the Buyer’s maintenance facilities, with complete office furniture and equipment including telephone and facsimile connections for the sole use of the Seller’s Representatives.

Should the Buyer already provide such facilities through another Purchase Agreement with the Seller, the above Buyer’s service may not be provided if they do not appear necessary.

15.3.2 The Buyer shall [\*\*\*], to and from their place of assignment and TOULOUSE, FRANCE.

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Clause 15 - 1/3

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- 15.3.3 The Buyer shall also provide [\*\*\*] air transportation, confirmed reservations for the annual vacation of the persons mentioned in sub-Clause 15.2.1 above to and from their place of assignment and the airport on the Buyer's network nearest to TOULOUSE, FRANCE.
- 15.3.4 Should the Buyer request any of the Seller's Representatives referred to in Clause 15.2 above, to travel on business to a city other than his usual place of assignment, the Buyer shall be responsible for all related transportation costs and expenses.
- 15.3.5 The Buyer shall assist the Seller to obtain from the civil authorities of the Buyer's country those documents which are necessary to permit the Seller's Representatives to live and work in the Buyer's country. Failure of the Seller to obtain the necessary documents shall relieve the Seller of any obligation to the Buyer under the provisions of Clause 15.2.

**15.4 Withdrawal of the Seller's Representatives**

The Seller shall have the right to withdraw its assigned Seller Representatives as it sees fit if conditions arise which are in the Seller's opinion dangerous to their safety or health or prevent them from fulfilling their contractual tasks.

**15.5 Seller's Representatives' Status**

In providing the above technical services, the Seller's Representatives and other employees are deemed to be acting in an advisory capacity only and at no time shall they be deemed to act as Buyer's employees or agents, either directly or indirectly.

**15.6 Indemnities**

INDEMNIFICATION PROVISIONS APPLICABLE TO THIS CLAUSE 15 ARE SET FORTH IN CLAUSE 19.

A350 XWB – TAM – 12/2007

Clause 15 - 2/3

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX A TO CLAUSE 15

**SELLER REPRESENTATIVE ALLOCATION**

The Seller Representative allocation that is provided to the Buyer pursuant to Clause 15.2 is defined hereunder.

- 1 The Buyer shall be provided a total of [\*\*\*] of Seller Representative services at the Buyer's main base or at other locations to be mutually agreed.
- 2 For clarification, such Seller Representatives' services shall include initial Aircraft Entry Into Service (EIS) assistance and sustaining support services.
- 3 The number of the Seller's Representatives assigned to the Buyer at any one time shall be mutually agreed, but at no time shall it exceed [\*\*\*]
- 4 Absence of an assigned Seller's Representative during normal statutory vacation periods are covered by the Seller's Representatives as defined in Clause 15.2.2 and as such are accounted against the total allocation provided in item 1 above.

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Clause 15 - 3/3

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16 TRAINING AND TRAINING AIDS**

**16.1 General**

This Clause 16 covers the terms and conditions for the supply of training and training aids for the Buyer’s personnel to support the Aircraft operation.

**16.2 Scope**

16.2.1 The range and quantity of training and training aids to be provided [\*\*\*] under this Agreement are covered in Appendix A to this Clause 16.

16.2.2.1 With respect to Maintenance Training, training courses shall be provided [\*\*\*]

16.2.2.2 With respect to Flight Operations Training, the quantity of training allocated to each Aircraft shall be provided up to [\*\*\*]

16.2.3 In the event that the Buyer should use none or only part of the training or training aids to be provided pursuant to this Clause 16, no compensation or credit of any sort shall be provided.

**16.3 Training Organisation / Location**

16.3.1 The Seller shall provide training at its training center in Blagnac, France, or in Hamburg, Germany (each the “**Seller’s Training Center**”) or one of its affiliated training centers in Miami, U.S.A., or any other future Seller’s training center in Europe or the Americas (the “**Affiliated Training Centers**”).

16.3.2 In the event of the non-availability of facilities or scheduling imperatives making training by the Seller impractical, the Seller shall make arrangements for the provision to the Buyer of such training support elsewhere.

16.3.3.1 Upon the Buyer’s request, the Seller may also provide certain training at a location other than the Seller’s Training Centers or Affiliated Training Centers, including one of the Buyer’s bases, if and when practicable for the Seller, under terms and conditions to be mutually agreed upon. In this event, all additional charges listed in Clause 16.6.2 shall be borne by the Buyer.

16.3.3.2 If the training as set forth in Clause 16.3.3.1 above is either an Airbus EASA – Part 147 (for maintenance training) or a Type Rating Training Organisation (TRTO) (for flight operation training) approved course, the Buyer shall provide access to its training facilities to the Seller’s and the relevant Aviation Authorities’ representatives for the necessary approval of such facilities for the training.

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Clause 16 - 1/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**16.4 Training Courses**

16.4.1 Training courses, as well as the minimum and maximum numbers of trainees per course provided for the Buyer’s personnel, are defined in the applicable brochure describing the various Seller’s training courses (the “**Seller’s Training Course Catalog**”) and shall be scheduled as mutually agreed upon during a training conference (“the **Training Conference**”) to be held between [\*\*\*]

16.4.2 When training is performed by the Seller:

- (i) Training courses shall be the Seller’s standard courses as described in the applicable Seller’s Training Course Catalog valid at the time of the execution of the course. The Seller shall be responsible for all training course syllabi, training aids and training equipment necessary for the organisation of the training courses; however, for the purpose of performing training, training equipment does not include aircraft;
- (ii) The equipment used for training of flight and maintenance personnel shall not be fully customised, however such equipment and the training curricula used for training of flight and/or maintenance personnel shall be configured in order to obtain the relevant Aviation Authorities’ approval and to support the Seller’s training programs. Training data and documentation shall not be revised;
- (iii) Training data and documentation for trainees receiving the training at the Seller’s Training Centers or Affiliated Training Centers shall [\*\*\*] Training data and documentation shall be marked “FOR TRAINING ONLY” and as such are supplied for the sole and express purpose of training;
- (iv) Upon the Buyer’s request, the Seller shall collect and pack for consolidated shipment to the Buyer’s facility, all training data and documentation of the Buyer’s trainees attending training at the Seller’s Training Centers or Affiliated Training Centers [\*\*\*] to the Buyer;

The above shipment shall be delivered Free Carrier (“**FCA**”) to the airport closest to the location at which the training actually takes place, as the term Free Carrier (“**FCA**”) is defined by publication N° 560 of the International Chamber of Commerce published in January 2000. Title to and risk of loss of said shipment shall pass to the Buyer upon delivery.

16.4.3 When the Seller’s training courses are provided by the Seller’s instructors, the Seller shall deliver a Certificate of Recognition, a Certificate of Course Completion or an Attestation, as applicable, at the end of any such training course. Any such certificate shall not represent authority or qualification by any Aviation Authorities but may be presented to such Aviation Authorities in order to obtain relevant formal qualification.

In the event of the training courses being provided by a training provider selected by the Seller, the Seller shall cause such training provider to deliver a Certificate of Recognition, a Certificate of Course Completion or an Attestation,

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Clause 16 - 2/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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as applicable, at the end of any such training course. Any such certificate shall not represent authority or qualification by any Aviation Authorities but may be presented to such Aviation Authorities in order to obtain relevant formal qualification.

16.4.4 In the event of the Buyer deciding to cancel or re-schedule a training course, if the cancellation is notified [\*\*\*] a cancellation charge [\*\*\*] of Airbus Customer Services Catalogue price shall be applied.

**16.5 Prerequisites and Conditions**

16.5.1 Training shall be conducted in English and all training aids are written in English using common aeronautical terminology. Trainees shall have the prerequisite knowledge and experience defined in Appendix “B” to this Clause 16. The Buyer hereby acknowledges that the Seller’s training courses are “Standard Transition Training Courses” and not “Ab Initio Training Courses”.

The Buyer shall be responsible for the selection of the trainees and for any liability with respect to the entry Knowledge level of the trainees.

16.5.2.1 The Buyer shall provide the Seller with an attendance list of the trainees for each course with the validated qualification of each trainee. The Seller reserves the right to check the trainees’ proficiency and previous professional experience. The Seller shall in no case warrant or otherwise be held liable for any trainee’s performance as a result of any training provided.

16.5.2.2 The Buyer shall further return to the Seller the “Airbus Pre-Training Survey” or the “Maintenance Training Survey”, as applicable, detailing the trainees’ associated background at the latest [\*\*\*] before the start of the training course.

16.5.2.3 In the event of the Buyer having to make a change to the trainees attendance list within [\*\*\*] period the Buyer shall immediately inform the Seller thereof and send to the Seller an updated Airbus Pre-Training Survey or Maintenance Training Survey reflecting such change.

16.5.3 Upon the Buyer’s request, the Seller may be consulted to direct the above mentioned trainee(s) through a relevant entry level training program, which shall be at the Buyer’s charge, and, if necessary, to coordinate with competent outside organisations for this purpose. Such consultation shall be held during the Training Conference.

In the event of the Seller determining that a trainee lacks the required entry level, following consultation with the Buyer, such trainee shall be withdrawn from the program.

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Clause 16 - 3/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16.6 Logistics**

**16.6.1 Trainees**

- 16.6.1.1 The Seller shall provide at [\*\*\*] rental cars for transportation of the Flight Crew (one-car per Flight Crew) for local transportation to the Seller’s Training Centers or Affiliated Training Centers.
- 16.6.1.2 The Seller shall provide [\*\*\*] rental cars for transportation of the maintenance trainees [\*\*\*] for local transportation to the Seller’s Training Centers or Affiliated Training Centers.
- 16.6.1.2 Living and travel expenses for the Buyer’s trainees shall be borne by the Buyer.

**16.6.2 Training at External Location - Seller’s Instructors**

In the event of training being provided at an external location specifically at the Seller’s request, the conditions relative to expenses shall be the same as those which would have been applicable if the training had been provided at the Seller’s Training Centers or Affiliated Training Centers.

In the event of training being provided by the Seller’s instructors at any location other than the Seller’s Training Centers or Affiliated Training Centers at the Buyer’s request or as otherwise detailed in this Clause 16, [\*\*\*]

**16.6.2.1 Living Expenses**

Such expenses, covering the entire period from day of departure from to day of return to the Seller’s base, shall include but shall not be limited to lodging, food and local transportation to and from the place of lodging and the training course location. The Buyer shall [\*\*\*]

**16.6.2.2 Air Travel**

The Buyer shall [\*\*\*]

**16.6.2.3 Training Material**

The Buyer shall [\*\*\*]

**16.6.2.4 Transportation**

The Buyer shall be solely liable for any and all delay in the performance of the training outside of the Seller’s or the Seller’s Affiliated Training Centers associated with any transportation described in this Clause 16.6.

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Clause 16 - 4/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16.6.3 Training Equipment Availability - Training at External Location**

Training equipment necessary for course performance at any course location other than the Seller’s Training Centers or Affiliated Training Centers or the facilities of the training provider selected by the Seller shall be provided by the Buyer in accordance with the Seller’s specifications.

**16.7 Flight Operations Training**

**16.7.1 Flight Crew Training Course**

16.7.1.1 The Seller shall perform a flight crew training course program (standard transition course or a cross crew qualification program as applicable) for the Buyer’s flight crews, each of which shall consist of [\*\*\*] [\*\*\*] as defined in Appendix A to this Clause 16. The training manual used shall be the Seller’s Flight Crew Operating Manual (FCOM), except for base Flight training, for which the Buyer’s customized FCOM shall be used.

**16.7.1.2 Base Flight Training**

16.7.1.2.1 The Buyer shall use its delivered Aircraft, or any other aircraft operated by the Buyer, for any base flight training, which shall [\*\*\*] according to the related Airbus training course definition.

16.7.1.2.2 In the event of it being necessary to ferry the Buyer’s delivered Aircraft to the location where the base flight training shall take place, the additional flight time required for the ferry flight to and/or from the base training field shall not be deducted from the base flight training allowance.

However, if the base flight training is performed outside of the zone where the Seller usually performs such training, the ferry flight to the location where the base flight training shall take place shall be performed by a crew composed of the Seller’s and/or the Buyer’s qualified pilots, in accordance with the Aviation Authorities’ regulations related to the place of performance of the base flight training.

**16.7.2 Flight Crew Line Initial Operating Experience**

16.7.2.1 To assist the Buyer with initial operating experience after Delivery of the first Aircraft, the Seller shall provide to the Buyer pilot instructor(s) as defined in Appendix A to this Clause 16.

16.7.2.2 The Buyer shall reimburse the expenses for each such instructor in accordance with Clause 16.6.2. Additional pilot instructors can be provided at the Buyer’s expense and upon conditions to be mutually agreed upon.

**16.7.3 Instructor Cabin Attendants’ Familiarization Course**

The Seller shall provide instructor cabin attendants’ course(s) to the Buyer’s cabin attendants, as defined in Appendix A to this Clause 16, at one of the locations defined in Clause 16.3.1.

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Clause 16 - 5/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The instructor cabin attendants' course, when incorporating the features of the Buyer's Aircraft, can be given at the earliest [\*\*\*]

16.7.4 **Performance / Operations Course**

The Seller shall provide performance/operations training for the Buyer's personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Courses Catalog.

16.7.5 **Transition Type Rating Instructor (TRI) Course**

The Seller shall provide transition type rating instructor (TRI) training for the Buyer's flight crew instructors as defined in Appendix A to this Clause 16.

This course provides the Buyer's instructors with the training in flight instruction and synthetic instruction required to instruct on Airbus aircraft.

16.7.6 During any and all flights performed in accordance with this Clause 16.7, the Buyer shall bear full responsibility for the aircraft upon which the flight is performed, including but not limited to any required maintenance, all expenses such as fuel, oil or landing fees and the provision of insurance in line with Clause 16.12.

16.8 **Maintenance Training**

The Seller shall provide maintenance training for the Buyer's ground personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Courses Catalog.

The Buyer shall provide the Seller with an attendance list of trainees at the latest [\*\*\*] before the start of the training course.

The practical training provided in the frame of maintenance training is performed exclusively on the training devices in use in the Seller's Training Centers or Affiliated Training Centers.

In the event of practical training on aircraft being requested by the Buyer, such practical training can be organized with the assistance of the Seller, in accordance with Clause 16.8.1 hereunder.

16.8.1 **Practical Training on Aircraft**

If the practical training does not need to be covered by an EASA – Part 147 (or equivalent) certificate, the Seller may assist the Buyer in organizing such practical training on aircraft, at the Buyer's expense.

In the event of the Buyer requiring a full EASA – Part 147 certificate from the Seller, the practical training on aircraft shall be conducted by the Seller, at the Buyer's expense, in a EASA – Part 145 facility approved and selected by the Seller.

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Clause 16 - 6/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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In the event of the Buyer requiring such practical training to be conducted at the Buyer’s EASA – Part 145 (or equivalent) approved facilities, such training shall be subject to prior approval by the Seller of the facilities at which the training is to be conducted.

The provision of an instructor by the Seller for the practical training shall be deducted from the trainee days allowance defined in Appendix A to this Clause 16, subject to the conditions detailed in Paragraph 3.2 thereof.

The Buyer shall reimburse the expenses for said instructor(s) in accordance with Clause 16.6.2.

**16.8.2 Line Maintenance Initial Operating Experience Training**

In order to assist the Buyer during the entry into service of the Aircraft, the Seller shall provide to the Buyer maintenance instructor(s) at the Buyer’s base as defined in Appendix A to this Clause 16.

16.8.2.1 This line maintenance training shall cover training in handling and servicing of Aircraft, flight crew / maintenance coordination, use of Technical Data and any other activities that may be deemed necessary after Delivery of the first Aircraft.

16.8.2.2 The Buyer shall [\*\*\*] the expenses for said instructor(s) in accordance with Clause 16.6.2. Additional maintenance instructors can be provided at the Buyer’s expense.

**16.9 Supplier and Propulsion System Manufacturer Training**

The Seller shall ensure that all major Suppliers and the Engine Manufacturer will provide maintenance and overhaul training on their products at appropriate times. Upon the Buyer’s request, the Seller shall provide to the Buyer the list of the maintenance and overhaul training courses (the “Supplier Training Catalog”) provided by major Suppliers and the applicable Engines Manufacturer on their products.

**16.10 Training Aids for the Buyer’s Training Organisation**

16.10.1 The Seller shall provide to the Buyer training aids, including the **Airbus Computer Based Training (Airbus CBT)**, as used in the Seller’s Training Centers, and the **Virtual Aircraft (Walk around and Component Location)**, free of charge as defined in Appendix A to this Clause 16.

The Airbus CBT and training aids supplied to the Buyer shall be similar to those used in the Seller’s Training Centers for the training provided for the Buyer. The Airbus CBT and Virtual Aircraft in use at the Seller’s Training Centers are revised on a regular basis and such revision shall be provided to the Buyer during the period when training courses provided under Appendix A of this Clause 16 are performed for the Buyer or [\*\*\*]

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Clause 16 - 7/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



16.10.2 **Delivery**

- 16.10.2.1 The Seller shall deliver to the Buyer the Airbus CBT and training aids, as defined in Appendix A to this Clause 16, at a date to be mutually agreed during the Training Conference.
- 16.10.2.2 The items supplied to the Buyer pursuant to Clause 16.10.1 shall be delivered FCA Toulouse, Blagnac Airport. Title to and risk of loss of said items shall pass to the Buyer upon delivery.
- 16.10.2.3 All costs related to transportation and insurance of said items from the FCA point to the Buyer's facilities shall be at the Buyer's expense.

16.10.3 **Installation of the Airbus CBT**

- 16.10.3.1.1 Before the initial delivery of the Airbus CBT, as defined in Appendix A hereto, the Seller shall provide to up to [\*\*\*] of the Buyer, at the Buyer's facilities, the Airbus CBT Administrator Course, as defined in Appendix C hereto.  
To conduct the course, the workstations and/or "Servers", as applicable, shall be ready for use and shall comply with the latest "Airbus CBT Workstation Technical Specification" or "Airbus CBT Server Technical Specification", as applicable (collectively "the Airbus CBT Technical Specification").
- 16.10.3.1.2 The Airbus CBT shall be installed by the Buyer's personnel, who shall have followed the Airbus CBT Administrator Course. The Seller shall be held harmless from any injury to person and/or damage to property caused by or in any way connected with the handling and/or installation of the Airbus CBT by the Buyers personnel.
- 16.10.3.2 Upon the Buyer's request and subject to conditions to be quoted by the Seller, the Seller may assist the Buyer with the initial installation of the Airbus CBT at the Buyer's facilities. Such assistance shall follow notification in writing that the various components, which shall be in accordance with the specifications defined in the Airbus CBT Technical Specification, are ready for installation and available at the Buyer's facilities.
- 16.10.3.3 The Buyer shall reimburse the expenses in accordance with Clause 16.6.2, for the Seller's personnel required at the Buyer's facilities to conduct the Airbus CBT Administrator Course and/or provide installation assistance.

16.10.4 **Licences**

16.10.4.1 **Airbus CBT License**

- 16.10.4.1.1 The Seller shall grant the Buyer a Licence to use the Airbus CBT, under conditions defined in Appendix C to this Clause 16.
- 16.10.4.1.2 Supply of sets of CBT Courseware, as defined in Appendix C, and additional to those indicated in Appendix A, as well as any extension to the Licence of such CBT Courseware, shall be subject to terms and conditions to be mutually agreed.

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Clause 16 - 8/21

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**16.10.4.2 Virtual Aircraft License**

16.10.4.2.1 The Seller shall grant the Buyer a Licence to use the Virtual Aircraft, under conditions defined in Appendix C to this Clause 16. For the purpose of such Licence, the term “Airbus CBT” as used in such License shall mean the “Virtual Aircraft”.

16.10.4.2.2 Supply of sets of Virtual Aircraft Software, as defined in Appendix C, and additional to those indicated in Appendix A, as well as any extension to the Licence of such Virtual Aircraft Software, shall be subject to terms and conditions to be mutually agreed.

16.10.5 The Seller shall not be responsible for and hereby disclaims any and all liabilities resulting from or in connection with the use by the Buyer of the Airbus CBT, the Virtual Aircraft and any other training aids provided under this Clause 16.10.

**16.11 Proprietary Rights**

The Seller’s training data and documentation, Airbus CBT, Virtual Aircraft and training aids are proprietary to the Seller and/or its Affiliates and/or its suppliers and the Buyer agrees not to disclose the content of the courseware or any information or documentation provided by the Seller in relation to training, in whole or in part, to any third party without the prior written consent of the Seller.

**16.12 Indemnities and Insurance**

INDEMNIFICATION PROVISIONS AND INSURANCE REQUIREMENTS APPLICABLE TO THIS CLAUSE 16 ARE AS SET FORTH IN CLAUSE 19.

THE BUYER WILL PROVIDE THE SELLER WITH AN ADEQUATE INSURANCE CERTIFICATE PRIOR TO ANY TRAINING ON AIRCRAFT.

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APPENDIX A TO CLAUSE 16

**APPENDIX “A” TO CLAUSE 16**

**TRAINING ALLOWANCE**

For the avoidance of doubt, all quantities indicated below are the total quantities granted for the whole of the Buyer’s fleet of [\*\*\*] Aircraft, unless otherwise specified.

- 1. FLIGHT OPERATIONS TRAINING**
- 1.1 Flight Crew Training (standard transition course or cross crew qualification (CCQ) as applicable)**  
The Seller shall provide flight crew training (standard transition course or CCQ as applicable) [\*\*\*]
- 1.2 Flight Crew Line Initial Operating Experience**  
The Seller shall provide to the Buyer pilot instructor(s) [\*\*\*]
- 1.2.1** The maximum number of pilot instructors present at any one time shall be limited to
- 1.3 Instructor Cabin Attendants’ Familiarization Course**  
The Seller shall provide to the Buyer instructor cabin attendants’ training [\*\*\*] the Buyer’s instructor cabin attendants.
- 1.4 Performance / Operations Course(s)**
- 1.4.1** The Seller shall provide to the Buyer [\*\*\*] of performance / operations training [\*\*\*] for the Buyer’s personnel.
- 1.4.2** The above trainee days shall be used solely for the performance/operations training courses as defined in the Seller’s applicable Training Course Catalog.
- 1.5 Transition Type Rating Instructor (TRI) course**  
The Seller shall provide to the Buyer transition type rating instructor training (transition or CCQ, as applicable) [\*\*\*] of the Buyer’s flight instructors.

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Clause 16 - 10/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX A TO CLAUSE 16

**2 MAINTENANCE TRAINING**

**2.1 Maintenance Training Courses**

2.1.1 The Seller shall provide to the Buyer [\*\*\*] of maintenance training [\*\*\*] for the Buyer’s personnel.

2.1.2 The above trainee days shall be used solely for the Maintenance training courses as defined in the Seller’s applicable Training Courses Catalog.

2.1.3 Within the trainee days allowance in Paragraph 2.1.1 above, the number of Engine Run-up courses shall be limited to [\*\*\*]

**2.2 Line Maintenance Initial Operating Experience Training**

The Seller shall provide to the Buyer [\*\*\*] maintenance instructor(s) at the Buyer’s base [\*\*\*]

**3 TRAINEE DAYS ACCOUNTING**

Trainee days are counted as follows:

3.1 For instruction at the Seller’s Training Centers or Affiliated Training Centers: [\*\*\*] The number of trainees originally registered at the beginning of the course shall be counted as the number of trainees to have taken the course.

3.2 For instruction outside of the Seller’s Training Centers or Affiliated Training Centers: [\*\*\*]

3.3 For practical training, [\*\*\*]

3.4 In the event of training being provided outside of the Seller’s Training Centers or Affiliated Training Centers specifically at the Seller’s request, Paragraph 3.1 hereabove shall be applicable to the trainee days accounting for such training.

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Clause 16 - 11/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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APPENDIX A TO CLAUSE 16

**4 TRAINING AIDS FOR BUYER'S TRAINING ORGANISATION**

[\*\*\*]

A350 XWB – TAM – 12/2007

Clause 16 - 12/21

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX B TO CLAUSE 16

**APPENDIX “B” TO CLAUSE 16**

**MINIMUM RECOMMENDED QUALIFICATION**

**IN RELATION TO TRAINING REQUIREMENTS**

The prerequisites listed below are the minimum recommended requirements specified for Airbus training. If the appropriate Aviation Authorities or the specific airline policy of the trainee demand greater or additional requirements, they shall apply as prerequisites.

**FLIGHT CREW Standard Transition Courses**

**Captain prerequisites:**

- Previously qualified on JAR/FAR/CS 25 aircraft and commercial operations
- Valid and Current Airline Transport Pilot License (ATPLY)
- Previous command experience
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Jet experience
- Flight time:
  - 1 500 hours as pilot
  - 1 000 hours on JAR/FAR/CS 25 aircraft
  - 200 hours experience as airline, corporate or military transport pilot

**First Officer prerequisites:**

- Previously qualified on JAR/FAR/CS 25 aircraft and commercial operations
- Aircraft and commercial operations valid and current CPL (Commercial pilot license) with Instrument rating,
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Jet experience
- Flight time:
  - 500 hours as pilot
  - 300 hours on JAR/FAR/CS 25 aircraft
  - 200 hours experience as airline, corporate or military transport pilot

If the Trainee does not speak English or is not fluent enough to follow the Standard Transition course, he shall follow the Adapted language transition and provide a translator as indicated by the Seller.

If no Jet experience, both CAPTAIN and/or FIRST OFFICER must follow before entering the transition course, a dedicated “Jet Familiarization entry level course”. Such course(s), if required, shall be at the Buyer’s expense.



APPENDIX B TO CLAUSE 16

**First type rating course**

This course is designed for Ab initio pilots who do not hold an aircraft type rating on their pilot license

**Pilot prerequisites**

- Valid and current CPL (commercial pilot license)
- Valid and current Instrument Rating on multi engine aircraft
- APTLY written examination
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Flight experience:
  - 220 hours as pilot
  - 100 hours as pilot in command (PIC)
  - 25 hours on multi engine aircraft (up to 10 hours can be completed in a simulator)

In addition to the above conditions and in accordance to the JAR Flight Crew Licensing (FCL) and the Airbus Training Policy, a pilot applying for a first type rating must have followed either an approved JAR Multi Crew Cooperation (MCC) program or regulatory equivalent or the “Airbus Entry Level Training (ELT) program” (combined MCC and Jet familiarization course). Such course, if required, shall be at the Buyer’s expense.

**CCO additional prerequisites**

In addition to the prerequisites set forth for the Flight Crew Standard Transition Course, both CAPTAIN and FIRST OFFICER must:

- be qualified and current on the base aircraft type
- have 150 hours minimum and 3 months minimum of operations on the base aircraft type.

**TRI course additional prerequisites**

In addition to the prerequisites set forth for the Flight Crew Standard Transition Course, it is the responsibility of the Buyer to:

- select instructor candidate(s) with airmanship and behaviour corresponding to the role and responsibility of an airline instructor
- designate instructor candidate(s) with the Airbus prerequisite, which corresponds to the JAR requirements (ref JAR – FCL 1 – Requirements/ Subparts H – Instructor rating (Aeroplane))

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**Performance and Operations personnel prerequisites**

The Buyer's performance and operations personnel shall be fluent in English (able to write, read and communicate at an adequately understandable level in English language).

All further detailed prerequisites shall be provided by the Seller to the Buyer during the Training Conference, depending on the type of training course(s) selected by the Buyer.

**Maintenance Personnel prerequisites**

- Fluency in English (understanding of English (able to write, read and communicate at an adequately understandable level in English language) adequate to be able to follow the training (If this is not the case, the Buyer shall assign a minimum of one (1) translator for eight (8) trainees).
- Technical experience in the line or/and base maintenance activity of commercial jet aircraft

**Additional prerequisites for Aircraft Rigging Course**

Qualification as line or line and base mechanic on one type of Airbus aircraft family

**Additional prerequisites for Maintenance Initial Operating Experience**

Qualification as line or line and base mechanic on the concerned Airbus aircraft type (for Course)

**Maintenance Training Difference Courses additional prerequisites**

In addition to the prerequisites set forth for Maintenance Personnel, the personnel shall be current and operating on the base aircraft

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**APPENDIX C TO CLAUSE 16**

**LICENCE FOR USE OF AIRBUS COMPUTER BASED TRAINING**

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APPENDIX C TO CLAUSE 16

**LICENCE FOR USE OF AIRBUS COMPUTER BASED TRAINING (AIRBUS CBT)**

**1 DEFINITIONS**

**1.1** For the purpose of this Appendix C to Clause 16, the following definitions shall apply:

- 1.1.1 “**Airbus CBT**” means the combination of the Airbus CBT Software and the Airbus CBT Courseware.
  - 1.1.2 “**Airbus CBT Courseware**” means the programmed instructions that provide flight crew and maintenance training.
  - 1.1.3 “**Airbus CBT Software**” means the system software that permits the use of the Airbus CBT Courseware.
  - 1.1.4 “**Student / Instructor Mode**” means the mode that allows the Buyer to run the Airbus CBT Courseware.
  - 1.1.5 “**Airbus CBT Administrator Course**” means the training enabling the Buyer to load and use the Airbus CBT either on stand-alone workstations or in a Server mode.
  - 1.1.6 “**Network**” means the group of the Buyer’s computers connected to each other through cables and allowing the transmission of data and instructions, which can be used by all of the Buyer’s computers so linked.
  - 1.1.7 “**Server**” means the computer dedicated to the administration of a Network and on which the Airbus CBT is installed and can be reached through the Network.
  - 1.1.8 “**Technical Specification**” means either the “Airbus CBT Workstation Technical Specification” or the “Airbus CBT Server Technical Specification”, as applicable.
  - 1.1.9 “**Intranet**” means the Buyer’s private and local Network using the same technical protocols as internet but which is not open to public connection.
  - 1.1.10 “**Extranet**” means the network constituted of an external Intranet, allowing communication between the Buyer and certain defined external entities.
  - 1.1.11 “**User Guide**” means the documentation, which may be in electronic format, designed to assist the Buyer to use the Airbus CBT.
- 1.2** Capitalised terms used herein and not otherwise defined in this Airbus CBT Licence shall have the meaning assigned thereto in the Agreement.
- 1.3** Any and all hardware required for the operation of the Airbus CBT is not part of the Airbus CBT and shall be procured under the sole responsibility of the Buyer. The Seller shall not be responsible for any incompatibility of such hardware with the Airbus CBT.





APPENDIX C TO CLAUSE 16

**2 GRANT**

The Seller grants the Buyer the right, pursuant to the terms and conditions herein, to use the Airbus CBT for the Term of this licence (“**Airbus CBT Licence**”).

**3 COPIES**

Use of the Airbus CBT is limited to the number of copies delivered by the Seller to the Buyer and to the medium on which the Airbus CBT is delivered. No reproduction shall be made without the prior written consent of the Seller. Notwithstanding the above, specific rights as detailed hereafter shall be granted for respectively the Airbus CBT Software and the Airbus CBT Courseware.

**3.1 Airbus CBT Software**

The Buyer shall be permitted to copy the Airbus CBT Software for back-up and archiving purposes and for loading of the Airbus CBT Software exclusively on the Buyer’s workstations or Server, as applicable. In such cases, the Buyer shall advise the Seller in writing of the number of any copies made. Any other copy for any other purpose is strictly prohibited.

**3.2 Airbus CBT Courseware**

The Buyer shall be permitted to copy the Airbus CBT Courseware for the sole purpose of internal training of the Buyer’s personnel, explicitly such copies shall be used by the Buyer’s employees only on their laptops for training purposes.

In such cases, the Buyer shall advise the Seller in writing of the number of copies made and shall cause its employees to strictly comply with the conditions of use and the confidentiality provisions of this Airbus CBT Licence. In particular, the Buyer’s employees shall agree to use such copy for training purposes only and to make no additional copy. The Buyer shall further ensure that any copy provided to an employee is returned to the Buyer either upon request by the Buyer or upon termination of the employment of the employee. Any other copy for any other purpose is strictly prohibited.

**3.3** Any copy made by the Buyer shall be performed under the sole responsibility of the Buyer. The Buyer agrees to reproduce the copyright and other notices as they appear on or within the original media on any copies that the Buyer makes of the Airbus CBT Software or the Airbus CBT Courseware. The Seller shall not provide revision service for any copies made.

**4 TERM**

[\*\*\*] (“**the Term**”). At the end of the Term, the Buyer shall return the Airbus CBT and any copies thereof to the Seller, accompanied by a note certifying that the Buyer has returned all existing copies.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX C TO CLAUSE 16

**5 PERSONAL ON-SITE LICENCE**

The sole right granted to the Buyer under this Airbus CBT Licence is the right to use the Airbus CBT. The Airbus CBT Licence is personal to the Buyer, for its own internal use, and is non-transferable and non-exclusive.

**6 CONDITIONS OF USE**

**6.1** The Buyer shall:

- do its best reasonable endeavours to maintain the Airbus CBT and the relating documentation in good working condition, in order to ensure the correct operation thereof;
- use the Airbus CBT in accordance with such documentation and the User Guide, and ensure that the staff using the Airbus CBT have received the appropriate training;
- use the Airbus CBT exclusively in the technical environment defined in the Technical Specification, except as otherwise agreed in writing between the parties;
- use the Airbus CBT for its own internal needs and on its Network (except if the Seller has consented to other usages), when technically possible, only and exclusively on the machine referenced and the site declared;  
not transmit the Airbus CBT electronically by any means, nor use the Airbus CBT on either the internet, Intranet or Extranet;
- not alter, reverse engineer, modify or adapt the Airbus CBT, or integrate all or part of the Airbus CBT in any manner whatsoever into another software product;
- not correct the Airbus CBT, except that such correction right may exceptionally be granted to the Buyer by the Seller in writing;
- not translate, disassemble or decompile the Airbus CBT Software or create a software product derived from the Airbus CBT Software;  
not attempt to or authorise a third party to discover or re-write the Airbus CBT source codes in any manner whatsoever;
- not delete any identification or declaration relative to the intellectual property rights, trademarks or any other information related to ownership or intellectual property rights provided in the Airbus CBT by the Seller;
- not pledge, sell, distribute, grant, sub-license, lease, lend, whether on a free-of-charge basis or against payment, or permit access on a time-sharing basis or any other utilisation of the Airbus CBT, whether in whole or in part, for the benefit of a third party;
- not permit any third party to use the Airbus CBT in any manner, including but not limited to, any outsourcing, loan, commercialisation of the Airbus CBT or commercialisation by merging the Airbus CBT into another software or adapting the Airbus CBT, without prior written consent from the Seller.

The Seller shall be entitled, at no cost to the Buyer, subject to providing reasonable prior written notice thereof to the Buyer and provided the same will not interfere with the Buyer's commercial operations, to come and verify in the Buyer's facilities whether the conditions specified in this Airbus CBT License are respected. This shall not however commit the responsibility of the Seller in any way whatsoever.



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**6.2 Use of the Airbus CBT Software**

Notwithstanding Clause 6.1 above, the Buyer shall use the Airbus CBT Software for the exclusive purpose of, for the student delivery mode:

- (i) rostering students for one or several courses syllabi in order to follow students' progression,
- (ii) rearranging courses syllabi or creating new ones using available courseware modules.

However, the Seller disclaims any responsibility regarding any course(s) that may be modified or rearranged by the Buyer.

**6.3 Use of the Airbus CBT Courseware**

Notwithstanding Clause 5 above, the Buyer shall use the Airbus CBT Courseware for the exclusive purpose of performing training of its personnel, or of third party personnel contracted to perform maintenance work on the Buyer's Aircraft on behalf of the Buyer. Such training shall be performed exclusively at the Buyer's facility.

**7 PROPRIETARY RIGHTS AND NON DISCLOSURE**

The Airbus CBT Software and Airbus CBT Courseware, the copyrights and any and all other author rights, intellectual, commercial or industrial proprietary rights of whatever nature in the Airbus CBT Software and Airbus CBT Courseware are and shall remain with the Seller and/or its Affiliates or suppliers, as the case may be. The Airbus CBT Software and Airbus CBT Courseware and their contents are designated as confidential. The Buyer shall not take any commercial advantage by copy or presentation to third parties of the Airbus CBT Software, the documentation, the Airbus CBT Courseware, and/or any rearrangement, modification or copy thereof.

The Buyer acknowledges the Seller's proprietary rights in the Airbus CBT and undertakes not to disclose the Airbus CBT Software or Airbus CBT Courseware or parts thereof or their contents to any third party without the prior written consent of the Seller. Insofar as it is necessary to disclose aspects of the Airbus CBT Software and Airbus CBT Courseware to the Buyer's personnel, such disclosure is permitted only for the purpose for which the Airbus CBT Software and Airbus CBT Courseware are supplied to the Buyer under the present Airbus CBT Licence.

**8 WARRANTY**

**8.1** The Seller warrants that the Airbus CBT is prepared in accordance with the state of art at the date of its conception. Should the Airbus CBT be found to contain any non-conformity or defect, the Buyer shall promptly notify the Seller thereof and the sole and exclusive liability of the Seller under this Clause 8.1 shall be to correct the same at its own expense.



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8.2 THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THE AIRBUS CBT LICENCE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, ITS SUPPLIERS AND/OR THEIR INSURERS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE AIRBUS CBT DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR THE AIRBUS CBT DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE AIRBUS CBT DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 8.2, "THE SELLER" SHALL INCLUDE THE SELLER, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.



**17 EQUIPMENT SUPPLIER PRODUCT SUPPORT**

**17.1 Equipment Supplier Product Support Agreements**

- 17.1.1 The Seller has obtained enforceable and transferable product support agreements from Suppliers of Seller Furnished Equipment listed in the Specification.
- 17.1.2 These agreements are based on the “World Airlines Suppliers Guide” and include Supplier commitments as contained in the “**Supplier Product Support Agreements**” which include the following provisions:
  - 17.1.2.1 Technical data and manuals required to operate, maintain, service and overhaul the Supplier Parts. Such technical data and manuals shall be prepared in accordance with the applicable provisions of ATA Specification including revision service and be published in the English language. The Seller shall recommend that software data, where applicable, be supplied in the form of an appendix to the Component Maintenance Manual, such data shall be provided in compliance with the applicable ATA Specification.
  - 17.1.2.2 Warranties and guarantees including standard warranties. In addition, landing gear Suppliers shall provide service life policies for selected structural landing gear elements.
  - 17.1.2.3 Training to ensure efficient operation, maintenance and overhaul of the Supplier Parts for the Buyer’s instructors, shop and line service personnel.
  - 17.1.2.4 Spares data in compliance with ATA 200/2000 Specification, initial provisioning recommendations, spare parts and logistic service including routine and expedited deliveries.
  - 17.1.2.5 Technical service to assist the Buyer with maintenance, overhaul, repair, operation and inspection of Supplier Parts as well as required tooling and spares provisioning.

**17.2 Supplier Compliance**

The Seller shall monitor Supplier compliance with support commitments defined in the Supplier Product Support Agreements and shall take remedial action together with the Buyer if necessary.

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18 BUYER FURNISHED EQUIPMENT

18.1 Administration

18.1.1 [\*\*\*] the Seller shall provide for the installation of those items of equipment which are identified in the Specification as being furnished by the Buyer (“**Buyer Furnished Equipment**” or “**BFE**”), provided that they are referred to in the Airbus BFE Catalog of Approved Suppliers by Products valid at time of ordering of the concerned BFE.

The Seller shall advise the Buyer of the dates by which, in the planned release of engineering for the Aircraft, the Seller requires a written detailed engineering definition including the description of the dimensions and weight of BFE, the information related to its certification and information necessary for the installation and operation thereof. The Buyer shall furnish such detailed description and information by the dates so specified. Such information, dimensions and weights shall not thereafter be revised unless authorised by a Specification Change Notice.

The Seller shall also furnish in due time to the Buyer a schedule of dates and indication of shipping addresses for delivery of BFE and, where requested by the Seller, additional spare BFE to permit installation in the Aircraft and delivery of the Aircraft in accordance with the delivery schedule. The Buyer shall provide such equipment by such dates in a serviceable condition, in order to allow performance of any assembly, test, or acceptance process in accordance with the industrial schedule.

The Buyer shall also provide, when requested by the Seller, at AIRBUS FRANCE S.A.S. works in TOULOUSE (FRANCE) and/or at AIRBUS DEUTSCHLAND GmbH, Division Hamburger Flugzeugbau Works in HAMBURG (FEDERAL REPUBLIC OF GERMANY) adequate field service including support from BFE suppliers to act in a technical advisory capacity to the Seller in the installation, calibration and possible repair of any BFE.

18.1.2 The Seller shall be entitled to refuse any item of BFE which it considers incompatible with the Specification, the above mentioned engineering definition or the certification requirements, and shall promptly notify the Buyer of such refusal.

18.1.3 The BFE shall be imported into FRANCE or into the FEDERAL REPUBLIC OF GERMANY by the Buyer under a suspensive customs system (“Régime de l’entrepôt industriel pour fabrication coordonnée” or “Zollverschluss”) without application of any French or German tax or customs duty, and shall be Delivered Duty Unpaid (DDU) according to the Incoterms definition.

Shipping Addresses:

AIRBUS FRANCE S.A.S.  
316 Route de Bayonne  
31300 TOULOUSE  
FRANCE

or

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AIRBUS DEUTSCHLAND GmbH  
Division Hamburger Flugzeugbau  
Kreetslag 10  
21129 HAMBURG  
FEDERAL REPUBLIC OF GERMANY

as provided in Clause 18.1.

18.1.4 [\*\*\*]

18.2 **Aviation Authorities' Requirements**

The Buyer is responsible for, at its expense, and warrants that BFE shall be manufactured by a qualified supplier, shall meet the requirements of the applicable Specification, shall comply with applicable requirements incorporated by reference to the Type Certificate and listed in the Type Certificate Data Sheet, shall be approved by the Aviation Authorities delivering the Export Certificate of Airworthiness and by the Buyer's Aviation Authority for installation and use on the Aircraft at the time of Delivery of such Aircraft.

18.3 **Buyer's Obligation and Seller's Remedies**

18.3.1 Any delay or failure in complying with the foregoing warranty or in providing the descriptive information or service representatives mentioned in Clause 18.1 or in furnishing the BFE in serviceable condition at the requested delivery date or in obtaining any required approval for such equipment under the above mentioned Aviation Authorities regulations may delay the performance of any act to be performed by the Seller, and cause the Final Price of the Aircraft to be adjusted in accordance with the updated delivery schedule and to include in particular the amount of the Seller's evidenced additional costs, directly attributable to such delay or failure such as storage, taxes, insurance and costs of out-of sequence installation. The Seller shall take reasonable steps to mitigate such additional costs.

18.3.2 Further, in any such event, the Seller may:

- (i) select, purchase and install an equipment similar to the involved one, in which event the Final Price of the affected Aircraft shall also be increased by the purchase price of such equipment plus reasonable costs and expenses incurred by the Seller for handling charges, transportation, insurance, packaging and if so required and not already provided for in the price of the Aircraft for adjustment and calibration; or
- (ii) if the BFE shall be so delayed by more than thirty (30) days, or unapproved within thirty (30) days deliver the Aircraft without the installation of such equipment, notwithstanding the terms of Clause 7 insofar as it may otherwise have applied, and the Seller shall thereupon be relieved of all obligations to

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



install such equipment. The Buyer may also elect to have the Aircraft so delivered, provided it is in the condition otherwise required by this Agreement.

18.4 **Title and Risk of Loss**

Title to and risk of loss of any BFE shall at all times remain with the Buyer except that risk of loss (limited to cost of replacement of said BFE and excluding in particular loss of use) shall be with the Seller for as long as such BFE shall be under the care, custody and control of the Seller.

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19 **INDEMNIFICATION AND INSURANCE**

19.1 **Indemnities Relating to Inspection, Technical Acceptance Process and Ground Training**

19.1.1 The Seller shall, except in case of gross negligence or wilful misconduct of the Buyer, its Affiliates, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Buyer, its directors, officers, agents and employees, its Affiliates and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of loss of or damage to the Seller's property and/or injury to or death of the directors, officers, agents or employees of the Seller and/or from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for any damage caused by the Seller [\*\*\*] with any ground check, check or controls under Clause 6 or Clause 8 of this Agreement and/or Ground Training Services and for any damage caused by the Buyer and/or the Seller [\*\*\*] technical acceptance flights under Clause 8 of this Agreement.

19.1.2 The Buyer shall, except in case of gross negligence or wilful misconduct of the Seller, its Affiliates, Suppliers, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates, its Suppliers and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of loss of or damage to the Buyer's property and/or injury to or death of the directors, officers, agents or employees of the Buyer and/or from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for any damage caused by the Buyer [\*\*\*] ground check, check or controls under Clause 6 or Clause 8 of this Agreement and/or Ground Training Services.

19.2 **Indemnities Relating to Training on Aircraft after Delivery**

19.2.1 The Buyer shall, except in the case of gross negligence or wilful misconduct of the Seller, its Affiliates, Suppliers, their respective directors, officers, agents and employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates, its Suppliers and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death [\*\*\*] (including any of the Buyer's directors, officers, agents and employees utilising such training services, but not directors, officers, agents and employees of the Seller) and/or for loss of or damage to any property and/or for loss of use thereof [\*\*\*] (including the aircraft on which the training services are performed), [\*\*\*] performance of any Aircraft Training Services.

19.2.2 The foregoing indemnity shall not apply with respect to the Seller's legal liability towards [\*\*\*] other than the Buyer, its directors, officers, agents or employees [\*\*\*] delivered to and accepted by the Buyer hereunder.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



19.3 **Indemnities relating to Seller Representatives Services**

19.3.1 The Buyer shall, except in case of gross negligence or wilful misconduct of the Seller, its Affiliates, subcontractors, Suppliers, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates, its Suppliers and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for all injuries to or death [\*\*\*] and for loss of or damage to property and/or loss of use thereof howsoever [\*\*\*] the Seller's Representatives' Services.

19.3.2 The Seller shall, except in case of gross negligence or wilful misconduct of the Buyer, its Affiliates, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Buyer, its directors, officers, agents and employees, its Affiliates and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for all injuries to or death of the Seller's Representatives in connection with the Seller's Representatives' Services.

19.4 **Insurances**

For all training periods on aircraft, the Buyer shall cause the Seller, as defined in Clause 19.5 hereof, its Affiliates, its Suppliers and their respective insurers to be named as additional insureds under the Buyer's Comprehensive Aviation Legal Liability insurance policies, including War Risks and Allied Perils, to the extent of the Buyer's undertaking set forth in Clause 19.2.1. With respect to the Buyer's Hull All Risks and Hull War Risks insurances and Allied Perils, the Buyer shall cause the insurers of the Buyer's hull insurance policies to waive all rights of subrogation against the Seller, as defined in Clause 19.5 hereof, its Affiliates, its Suppliers and their respective insurers to the extent of the Buyer's undertaking set forth in Clause 19.2.1.

Any applicable deductible shall be borne by the Buyer. With respect to the above policies, the Buyer shall furnish to the Seller, not less than seven (7) working days prior to the start of any such training period, certificates of insurance, in English, evidencing the limit of liability cover and period of insurance in a form acceptable to the Seller from the Buyer's insurance broker(s) certifying that such policies have been endorsed as follows:

- (i) under the Comprehensive Aviation Legal Liability Insurances, the Buyer's policies are primary and non-contributory to any insurance maintained by the Seller;
- (ii) such insurance can only be cancelled or materially altered by the giving of not less than thirty (30) days (but seven (7) days or such lesser period as may be customarily available in respect of War Risks and Allied Perils) prior written notice thereof to the Seller; and
- (iii) under any such cover, all rights of subrogation against the Seller, its Affiliates, its Suppliers and their respective insurers, have been waived to the extent of the Buyer's undertaking and specifically referring to Clause 19.2.1 and to this Clause 19.4.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



19.5 **Seller and Affiliates**

For the purposes of this Clause 19, “the Seller and its Affiliates” include the Seller, its subsidiaries, Airbus North America Customer Services, Hua-Ou Airbus - CASC Aviation Training Center, its shareholders, each of the sub-contractors, the assignees of each of the foregoing, and their respective directors, officers, agents and employees.

19.6 **Notice of Claims**

If any claim is made or suit is brought against either party (or its respective directors, officers, agents or employees) for damages for which liability has been assumed by the other party in accordance with the provisions of this Agreement, the party against which a claim is so made or suit is so brought shall promptly give notice to the other party, and the latter shall (unless otherwise requested by the former party against which a claim is so made or suit is so brought, in which case the other party nevertheless shall have the right to) assume and conduct the defence thereof, or effect any settlement which it, in its opinion, deems proper.

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20 **TERMINATION**

20.1 **Termination for Insolvency**

In the event that either the Seller or the Buyer:

- (a) makes a general assignment for the benefit of creditors or becomes insolvent;
- (b) files a voluntary petition in bankruptcy;
- (c) petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets;
- (d) commences under the laws of any competent jurisdiction any proceeding involving its insolvency, bankruptcy, readjustment of debt, liquidation or any other similar proceeding for the relief of financially distressed debtors;
- (e) becomes the object of any proceeding or action of the type described in (c) or (d) above and such proceeding or action remains undismissed or unstayed for a period of at least sixty (60) days; or
- (f) is divested of a substantial part of its assets for a period of at least sixty (60) consecutive days,

then the other party may, to the full extent permitted by law, by written notice, terminate all or part of this Agreement.

20.2 **Termination for Non-Payment of Predelivery Payments**

If for any Aircraft the Buyer fails to make any Predelivery Payments at the time, in the manner and in the amount specified in Clause 5.3, and does not remedy such failure within a period of fifteen (15) Business Days from the date when the Predelivery Payment became due, the Seller may, by written notice, terminate all or part of this Agreement with respect to undelivered Aircraft. However, if in the sole but reasonable opinion of the Seller, it becomes obvious that the Buyer is in a situation of great financial distress which is likely to prevent it, in an irreversible manner, from performing its payment obligations under this Agreement, such above grace period shall not apply.

20.3 **Termination for Failure to Take Delivery**

If the Buyer fails to comply with its obligations as set forth under Clause 8 and/or Clause 9, or fails to pay the Final Price of the Aircraft, the Seller shall have the right to put the Buyer on notice to do so within a period of fifteen (15) Business Days after the date of such notification.

If the Buyer has not cured such default within such period, the Seller may, by written notice, terminate all or part of this Agreement with respect to undelivered Aircraft.

All costs referred to in Clause 9.2.3 and relating to the period between the notified date of delivery (as referred to in Clause 9.2.3) and the date of termination of all or part of this Agreement shall be borne by the Buyer.



20.4 **Termination for Default under other Agreements**

If the Buyer or any of its Affiliates fails to perform or comply with any material obligation expressed to be assumed by it under any aircraft purchase, financing or leasing agreement between the Buyer or any of its Affiliates and the Seller or any of its Affiliates (the "Other Agreement") and the Seller or its relevant Affiliate has exercised its right thereunder to terminate such Other Agreement, then the Seller may, by written notice, terminate all or part of this Agreement.

20.5 **General**

- 20.5.1 To the full extent permitted by law, the termination of all or part of this Agreement pursuant to Clauses 20.1, 20.2, 20.3 and 20.4 shall become effective immediately upon receipt by the relevant party of the notice of termination sent by the other party without it being necessary for either party to take any further action or to seek any consent from the other party or any court having jurisdiction.
- 20.5.2 The right for either party under Clause 20.1 and for the Seller under Clauses 20.2, 20.3, and 20.4 to terminate all or part of this Agreement shall be without prejudice to any other rights and remedies available to such party to seek termination of all or part of this Agreement before any court having jurisdiction pursuant to any failure by the other party to perform its obligations under this Agreement.
- 20.5.3 If the party taking the initiative of terminating this Agreement decides to terminate part of it only, the notice sent to the other party shall specify those provisions of this Agreement which shall be terminated.
- 20.5.4 In the event of termination of this Agreement following a default from the Buyer, including but not limited to a default under Clauses 20.1, 20.2, 20.3 and 20.4, the Seller without prejudice to any other rights and remedies available under this Agreement or by law, shall retain all predelivery payments, commitment fees, option fees and any other monies paid by the Buyer to the Seller under this Agreement and corresponding to the Aircraft, services, data and other items covered by such termination.

A350 XWB – TAM – 12/2007



## 21 ASSIGNMENTS AND TRANSFERS

### 21.1 Assignments by Buyer

Except as hereinafter provided, the Buyer may not sell, assign, novate or transfer its rights and obligations under this Agreement to any person without the prior written consent of the Seller, which shall not unreasonably be withheld.

#### 21.1.1 Assignments for Predelivery Financing

The Buyer shall be entitled to assign its rights under this Agreement at any time in order to provide security for the financing of any Predelivery Payments subject to such assignment being in form and substance reasonably acceptable to the Seller, taking into account then applicable market practice.

#### 21.1.2 Assignments for Delivery Financing

The Buyer shall be entitled to assign its rights under this Agreement at any time in connection with the financing of its obligation to pay the Final Price subject to such assignment being in form and substance reasonably acceptable to the Seller, taking into account the then applicable market practice.

### 21.2 Assignments by Seller

The Seller may at any time, with the prior written consent of the Buyer, which shall not be unreasonably withheld, sell, assign, novate or transfer its rights and obligations under this Agreement to any person, provided such sale, assignment or transfer be notified to Buyer and shall not have a material adverse effect on any of Buyer's rights and obligations under this Agreement.

#### 21.2.1 Transfer of Rights and Obligations upon Restructuring

In the event that the Seller is subject to a corporate restructuring having as its object the transfer of, or succession by operation of law in, all or a substantial part of its assets and liabilities, rights and obligations, including those existing under this Agreement, to a person ("the **Successor**") under the control of the ultimate controlling shareholders of the Seller at the time of that restructuring, for the purpose of the Successor carrying on the business carried on by the Seller at the time of the restructuring, such restructuring shall be completed without consent of the Buyer following notification by the Seller to the Buyer in writing. The Buyer recognises that succession of the Successor to the Agreement by operation of law, which is valid under the law pursuant to which that succession occurs, shall be binding upon the Buyer.

A350 XWB – TAM – 12/2007



22 **MISCELLANEOUS PROVISIONS**

22.1 **Data Retrieval**

The Buyer shall provide the Seller, as the Seller may reasonably request, with all the necessary data as customarily compiled by the Buyer and pertaining to the operation of the Aircraft to assist the Seller in making efficient and coordinated survey of all reliability, maintainability, operational and cost data with a view to improving the safety, availability and operational costs of the Aircraft.

22.2 **Notices**

All notices and requests required or authorized hereunder shall be given in writing either by personal delivery to an authorized representative of the party to whom the same is given or by registered mail (return receipt requested), express mail (tracking receipt requested) or by facsimile, to be confirmed by subsequent registered mail, and the date upon which any such notice or request is so personally delivered or if such notice or request is given by registered mail, the date upon which it is received by the addressee or, if given by facsimile, the date upon which it is sent with a correct confirmation printout, provided that if such date of receipt is not a business day notice shall be deemed to have been received on the first following business day, shall be deemed to be the effective date of such notice or request.

Seller's address for notices is:

**AIRBUS**

Attn. To V. P. Contracts  
1 Rond-Point Maurice Bellonte  
31707 Blagnac Cedex  
France

Buyer's address for notices is:

**TAM - LINHAS AEREAS S.A.**

Attn. Contracts Director  
Avenida Jurandir, 856, 4º andar, Lote 4,  
CEP 04072 - 000, Jardim CECI,  
SAO PAULO – SP,  
BRAZIL

or such other address or such other person as the party receiving the notice or request may reasonably designate from time to time.

22.3 **Waiver**

The failure of either party to enforce at any time any of the provisions of this Agreement, or to exercise any right herein provided, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a present or future waiver of such provisions nor in any way to affect the validity of this Agreement or any part thereof or the right of the other party thereafter to enforce each and every such provision. The express waiver (whether made one (1) or several times) by either party of any provision, condition or requirement of this Agreement shall not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

A350 XWB – TAM – 12/2007



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22.4 **Law and Jurisdiction**

22.4.1 This Agreement shall be governed by and construed in accordance with the laws of France.

22.4.2 Any dispute arising out of or in connection with this Agreement shall be within the exclusive jurisdiction of the *Tribunal de Commerce* of Paris.

22.5 **International Supply Contract**

The Buyer and the Seller recognise that this Agreement is an international supply contract which has been the subject of discussion and negotiation, that all its terms and conditions are fully understood by the parties, and that the Specification and price of the Aircraft and the other mutual agreements of the parties set forth herein were arrived at in consideration of, inter alia, all the provisions hereof specifically including all waivers, releases and renunciations by the Buyer set out herein.

The Buyer and the Seller hereby also agree that the United Nations Convention on Contracts for the International Sale of Goods will not apply to this transaction.

22.6 **Severability**

In the event that any provision of this Agreement should for any reason be held ineffective, the remainder of this Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect. Any provision of this Agreement which may prove to be or becomes illegal, invalid or unenforceable in whole or in part, shall so far as reasonably possible and subject to applicable law, be performed in accordance with the spirit and purpose of this Agreement.

22.7 **Alterations to Contract**

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

22.8 **Language**

All correspondence, documents and any other written matters in connection with this Agreement shall be in English.



**22.9 Counterparts**

This Agreement has been executed in two (2) original copies.

Notwithstanding the above, this Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Agreement.

**22.10 Confidentiality**

This Agreement including any Exhibits, other documents or data exchanged between the Buyer and the Seller for the fulfilment of their respective obligations under the Agreement shall be treated by both parties as confidential and shall not be released in whole or in part to any third party except as may be required by law, or to professional advisors for the purpose of implementation hereof.

In particular, both parties agree:

- not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior written consent of the other party hereto.
- that any and all terms and conditions of the transaction contemplated in this Agreement are strictly personal and exclusive to the Buyer, including in particular, but not limited to, the Aircraft pricing (the "Personal Information"). The Buyer therefore agrees to notify the Seller reasonably in advance of any required disclosure of Personal Information to financial institutions, including operating lessors, investment banks and their agents or other relevant institutions for aircraft sale and leaseback or any other Aircraft or Predelivery Payment financing purposes (the "Receiving Party"), and if requested by the Seller, to consult with the Seller for a reasonable period of time in relation thereto.

Without prejudice to the foregoing, any disclosure of Personal Information to a Receiving Party shall be subject to written agreement between the Buyer and the Seller, including in particular, but not limited to:

- (i) the contact details of the Receiving Party,
- (ii) the extent of the Personal Information subject to disclosure,
- (iii) the Aircraft pricing to be provided to the Receiving Party.

Furthermore, the Buyer and the Seller shall use their best reasonable efforts to limit the disclosure of the contents of this Agreement to the extent legally permissible in any filing required to be made by the Buyer and the Seller with any governmental or regulatory agency. The Buyer and the Seller agree that prior to any such disclosure or filing, the Seller and the Buyer shall jointly review and agree on the terms and conditions of the document to be filed or disclosed.

The provisions of this Clause 22.10 shall survive any termination of this Agreement for a period of five (5) years.



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**IN WITNESS WHEREOF** this Agreement was entered into the day and year first above written.

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

Name: Libano M. Barroso

Title: Chief Financial Officer

Name: Jose Zaidan Maluf

Title: Director

**Witness**

Name: Marco Aurelio Peloggia

Title: Manager

A350 XWB – TAM – 12/2007

For and on behalf of

**AIRBUS S.A.S.**

Name: Christophe Mourey

Title: SVP Contracts

**Witness**

Name: Michel Clanet

Title: Regional Sales Director



**EXHIBIT A**

**EXHIBIT A**

**SPECIFICATION**

The A350-800 XWB and A350-900 XWB Standard Specifications are contained in a separate CD-ROM.

A350 XWB – TAM – 12/2007

- Exhibit A - Page 1/4



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**LATAM AIRLINES GROUP**  
**FORM 20-F**

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31-Mar-2015 23:22 EST

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Page 1 of 1

**EXHIBIT A – APPENDIX 1**

**TAM A350-800/900/1000 XWB SCN definition**

[\*\*\*]

A350 XWB – TAM – 12/2007

- Exhibit A - Page 2/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT A – APPENDIX 1**

**TAM A350-800/900/1000 XWB SCN definition**

[\*\*\*]

A350 XWB – TAM – 12/2007

- Exhibit A - Page 3/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Page 1 of 1

**EXHIBIT A – APPENDIX 1**

**TAM A350-800/900/1000 XWB SCN definition**

[\*\*\*]

A350 XWB – TAM – 12/2007

- Exhibit A - Page 4/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Page 1 of 1

**EXHIBIT B**

**EXHIBIT B**

**FORM OF**

**SPECIFICATION CHANGE NOTICE**

A350 XWB – TAM – 12/2007

- Exhibit B - Page 1/1



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AIRBUS

TAM - LINHAS AERAS



SPECIFICATION CHANGE NOTICE

(SCN)

SCN Number  
Issue  
Dated  
Page

Title:

Description

Effect on weight

Manufacturer's Weight Empty Change :  
Operational Weight Empty Change :  
Allowable Payload Change :

Remarks / References

RFC...

Specification changed by this SCN

A350-[800 / 900] XWB Aircraft Standard Specification Reference N° [ ]  
Issue [ ] dated [ ]

This SCN requires prior or concurrent acceptance of the following SCN (s):

Price per aircraft

US DOLLARS:

AT DELIVERY CONDITIONS:

This change will be effective on AIRCRAFT N° and subsequent.

Provided approval is received by

Buyer approval

By:

Date:

Seller approval

By:

Date:





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Page 1 of 1

**AIRBUS**

**TAM - LINHAS AERAS**



**SPECIFICATION CHANGE NOTICE**

(SCN)

SCN Number

Issue

Dated

Page

**Specification repercussion:**

After contractual agreement with respect to weight, performance, delivery, etc, the indicated part of the specification wording will read as follows:



**AIRBUS**

**TAM - LINHAS AERAS**



**SPECIFICATION CHANGE NOTICE**

**(SCN)**

SCN Number  
 Issue  
 Dated  
 Page

**Scope of change (FOR INFORMATION ONLY)**



**EXHIBIT C**

**AIRCRAFT PRICE REVISION FORMULA**

1 [\*\*\*]

2 [\*\*\*]

3 [\*\*\*]

Index code for access on the Web site of the US Bureau of Labor Statistics:

[\*\*\*]

A350 XWB – TAM – 12/2007

Exhibit C – Page 1/3

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**FORM 20-F**

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Page 1 of 1

**EXHIBIT C**

**AIRCRAFT PRICE REVISION FORMULA**

4

[\*\*\*]

A350 XWB – TAM – 12/2007

Exhibit C – Page 2/3

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT C**

**AIRCRAFT PRICE REVISION FORMULA**

5

5.1 [\*\*\*]

5.2 [\*\*\*]

5.3 [\*\*\*]

A350 XWB – TAM – 12/2007

Exhibit C – Page 3/3

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT D**

**CERTIFICATE OF ACCEPTANCE**

In accordance with the terms of the amended and restated A350 XWB purchase agreement dated 2007 and made between **TAM - LINHAS AEREAS S.A.** and **AIRBUS S.A.S.**, as amended (the "**Purchase Agreement**"), the acceptance tests relating to the A350[-800/-900/- 1000 XWB] aircraft, Manufacturer's Serial Number: [ ], Registration Marks: [ ] (the "**Aircraft**"), have taken place at [ ] or [ ] on the [ ] day of [ ].

In view of said tests having been carried out with satisfactory results, TAM Linhas Aereas S.A. hereby approves the Aircraft as being in conformity with the provisions of the Purchase Agreement.

Said acceptance does not impair the rights that may be derived from the warranties relating to the Aircraft set forth in the Purchase Agreement.

Any right at law or otherwise to revoke this acceptance of the Aircraft is hereby waived.

The [ ] day of [ ]

**TAM - LINHAS AEREAS S.A.**

By:

Its:

A350 XWB – TAM – 12/2007



**EXHIBIT E**

**BILL OF SALE**

Know all men by these presents that Airbus S.A.S. (the “**Seller**”), “société par actions simplifiée” existing under French law and whose address is 1 rond-point Maurice Bellonte, 31707 Blagnac Cedex, FRANCE, is, this [ ], the owner of the title to the following airframe (the “**Airframe**”), the engines as specified (the “**Engines**”) and all appliances, components, parts, instruments, accessories, furnishings, modules and other equipment of any nature, excluding Buyer Furnished Equipment (“**BFE**”), incorporated therein, installed thereon or attached thereto on the date hereof (the “**Parts**”):

**AIRFRAME:**

AIRBUS Model A350[-800/-900/-1000 XWB]-

**MANUFACTURER’S SERIAL NUMBER:** [ ]

**ENGINES:**

Rolls Royce Trent XWB [74/83/92]

**ENGINE SERIAL NUMBERS:**

LH: [ ]

RH: [ ]

**REGISTRATION MARKS:** [ ]

[and has such title to the BFE as was acquired by it from TAM Linhas Aereas S.A. by a Bill of Sale dated [ ] (the “BFE Bill of Sale”).]

The Airframe, Engines and Parts are hereafter together referred to as the Aircraft (the “**Aircraft**”).

The Seller does hereby on this [ ] day of [ ] sell, transfer and deliver all of its above described rights, title and interest to the Aircraft to the following company and to its successors and assigns forever, said Aircraft [and the BFE] to be the property thereof:

**TAM - LINHAS AEREAS S.A.**  
(the “**Buyer**”)

The Seller hereby warrants to the Buyer, its successors and assigns that it has good and lawful right to sell, deliver and transfer title to the Aircraft to the Buyer and that there is hereby conveyed to the Buyer good, legal and valid title to the Aircraft, free and clear of all liens, claims, charges, encumbrances and rights of others and that the Seller will warrant and defend such title forever against all claims and demands whatsoever [and such title to the BFE as the Seller has acquired pursuant to the BFE Bill of Sale.]

This Bill of Sale shall be governed by and construed in accordance with the laws of France.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative this day of [ ]

AIRBUS S.A.S.

By:

Title:

Signature:

A350 XWB – TAM – 12/2007



**EXHIBIT F**

**EXHIBIT F**

**SERVICE LIFE POLICY**

**ITEMS OF PRIMARY STRUCTURE**

A350 XWB – TAM – 12/2007

Exhibit F - 1/4





**EXHIBIT F**

**SELLER SERVICE LIFE POLICY**

**1** The Items covered by the Service Life Policy pursuant to Clause 12.2 are those Seller Items of primary and auxiliary structure described hereunder.

**2**

**2.1** [\*\*\*]

2.1.1

2.1.2

2.1.3

**2.2**

[\*\*\*]

2.2.1

2.2.2

2.2.3

2.2.4

**2.3** [\*\*\*]

2.3.1

2.3.1.1

2.3.1.2

2.3.2

2.3.2.1

2.3.2.2

2.3.3

2.3.3.1

2.3.3.2

A350 XWB – TAM – 12/2007

Exhibit F - 2/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT F**

**2.4** [\*\*\*]

2.4.1

2.4.1.1

2.4.1.2

2.4.1.3

2.4.1.4

**3**

[\*\*\*]

**3.1**

3.1.1

3.1.2

3.1.3

3.1.4

3.1.5

3.1.6

3.1.7 [\*\*\*]

3.1.8

**3.2**

3.2.1

3.2.2

3.2.3

A350 XWB – TAM – 12/2007

Exhibit F - 3/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**EXHIBIT F**

**4** [\*\*\*]

**4.1**

4.1.1

4.1.2

4.1.3

4.1.4

4.1.5

4.1.5.1

4.1.5.2

**4.2**

[\*\*\*]

4.2.1

4.2.2

4.2.3

4.2.4

4.2.5

4.2.5.1

4.2.5.2

**5**

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Exhibit F - 4/4

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT G

**EXHIBIT G**

**TECHNICAL DATA INDEX**

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Exhibit G - Page 1/11



EXHIBIT G

XML

1/ Maintenance, Planning, Structural, Overhaul, Engineering Data

S1000D compliant raw data, for data processing by the Buyer.

If XML has been selected by the Buyer in the present Exhibit G, effective delivery shall only take place at the time of explicit request from the Buyer

2/ Flight Operations Data

XML standard is yet to be defined. It will either be compliant with the future ATA XML standard or conform to the ATA / ASD / AIA S1000D Specification.

TYPE C CUSTOMIZED. Refers to manuals that are applicable to an individual Airbus customer/operator fleet or aircraft.

G GENERIC. Refers to manuals that are applicable for all Airbus aircraft types/models/series.

E ENVELOPE. Refers to manuals that are applicable to a whole group of Airbus customers for a specific aircraft type/model/series.

QTY/ QUANTITY Self explanatory

DELIVERY (Deliv) Delivery refers to scheduled delivery dates and is expressed in either the number of corresponding days prior to first Aircraft Delivery or nil (0), corresponding to the first aircraft Delivery Date.

The number of days indicated shall be rounded up to the next regular revision release date.

A350 XWB - TAM – 12/2007



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EXHIBIT G

| <u>NOMENCLATURE</u>                    | <u>Abbreviation</u> | <u>XML</u> | <u>Advanced Consultation</u> |                 | <u>Specific format</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|--|---------------------|------------|------------------------------|-----------------|------------------------|-------------|------------|--------------|---|
|  |                     |            | <u>Tool</u>                  | <u>format</u>   |                        |             |            |              |   |
| <b>MAINTENANCE AND ASSOCIATED DATA</b> |                     |            |                              |                 |                        |             |            |              |   |
| Aircraft Maintenance Manual            | AMM                 | X          | X                            |                 |                        | C           |            | [***]        |   |
| Aircraft Schematics Manual             | ASM                 | X          | X                            |                 |                        | C           |            | [***]        |   |
| Aircraft Wiring Lists                  | AWL                 | X          | X                            |                 |                        | C           |            | [***]        |   |
| Aircraft Wiring Manual                 | AWM                 | X          | X                            |                 |                        | C           |            | [***]        |   |
| Consumable Material List               | CML                 | X          | X                            |                 |                        | G           |            | [***]        |   |
| Electrical Load Analysis               | ELA                 |            |                              | PDF/RTF/<br>XLS |                        | C           |            | [***]        | [***]<br>PDF file + Office Automation Format<br>RTF & Excel file delivered on a single<br>CD for ELA updating by the Buyer  |
| Electrical Standard Practices Manual   | ESPM                | X          | X                            |                 |                        | G           |            | [***]        |   |
| Electrical Standard Practices booklet  | ESP                 |            |                              |                 | paper                  | G           |            | [***]        | This manual is Airbus generic and is<br>supplied as a pocket-size format<br>booklet.<br>[***] It provides maintenance personnel with<br>quick and easy access for identifying<br>electrical equipment and the required<br>tooling |
| Illustrated Parts Catalog (Airframe)   | AIPC                | X          | X                            |                 |                        | C           |            | [***]        |   |

Tech Data Exhibit G – FRL – A350 XWB - TAM

Exhibit G - Page 5/11

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT G

| <u>NOMENCLATURE</u>                        | <u>Abbreviation</u> | <u>XML</u> | <u>Advanced</u>     |                        | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|--|---------------------|------------|---------------------|------------------------|-------------|------------|--------------|---|
|  |                     |            | <u>Consultation</u> | <u>Specific format</u> |             |            |              |   |
| <b>STRUCTURAL DATA</b>                     |                     |            |                     |                        |             |            |              |   |
| Structural Repair Manual                   | SRM                 | X          | X                   |                        | E           |            | [***]        |   |
| Nacelle Structural Repair Manual           | NSRM                | (X*)       | X                   |                        | E           |            | [***]        | For XML raw data availability, Nacelle Supplier is to be contacted directly |
| Nondestructive Testing Manual              | NTM                 | X          | X                   |                        | N/A         |            | [***]        |   |
| Tech Data Exhibit G – FRL – A350 XWB - TAM |                     |            |                     |                        |             |            |              |   |

Exhibit G - Page 7/11

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT G

| <u>NOMENCLATURE</u>   | <u>Abbreviation</u> | <u>XML</u> | <u>Advanced<br/>Consultation<br/>Tool</u> | <u>Specific<br/>format</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|---|---------------------|------------|---|----------------------------|-------------|------------|--------------|---|
| <b>ENGINEERING DATA</b>   |                     |            |   |                            |             |            |              |   |
| ENGINEERING Documents,<br>included in one single advanced<br>consultation tool: Airworthiness<br>Directives |                     |            | X   |                            |             |            | E            | [***] On-line service offering advanced<br>search and navigation functions<br>allowing a cross-reference between all<br>document indexes and the capability to<br>access AOT, OIT, FOT, TFU, SIL &<br>SB contents |
| Consignes de Navigabilite (French<br>DGAC)  | AD                  |            | X   |                            |             |            | E            |   |
| All Operator Telex  | CN                  |            | X   |                            |             |            | E            |   |
| Operator Information Telex  | AOT                 |            | X   |                            |             |            | E            |   |
| Flight Operator Telex   | OIT                 |            | X   |                            |             |            | E            |   |
| Modification Proposal &<br>Modification File  | FOT                 |            | X   |                            |             |            | E            |   |
|   | MP & MOD            |            |   |                            |             |            |              |   |
| Service Bulletin / SB   |                     |            | X   |                            |             |            |              |   |
| Service Information Letter / SIL  | SB                  | X          | X   |                            |             |            | C            |   |
| Technical Follow-Up / TFU   | SIL                 |            | X   |                            |             |            | E            |   |
| Vendor Service Bulletin / VSB   | TFU                 |            |   |                            |             |            | E            |   |
|   | VSB                 | X          | X   |                            |             |            | E            | For VSB in XML raw data availability,<br>each CMM Supplier is to be contacted<br>directly.  |

Tech Data Exhibit G – FRL – A350 XWB - TAM

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT G

| <u>NOMENCLATURE</u>  | <u>Abbreviation</u> | <u>XML</u> | <u>Advanced Consultation Tool</u> | <u>Specific format</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|--|---------------------|------------|-----------------------------------|------------------------|-------------|------------|--------------|--|
| <b>MISCELLANEOUS TECHNICAL DATA</b>                                    |                     |            |                                   |                        |             |            |              |  |
| Aircraft Characteristics for Airport and Maintenance Facility Planning | AC/MFP              |            |                                   | PDF                    | E           |            | [***]        |  |
| ATA 100 Breakdown Index  | ATAB                |            |                                   | PDF                    | E           |            | [***]        | 6 Digits ATA 100 Breakdown Index   |
| C@DETS (Technical Data Training Software)                              | C@DETS              |            | X                                 |                        | G           |            | [***]        | Training software applicable to customized & non-customized maintenance Technical Data (AMM / TSM / IPC / AWM / SRM / NTM), and associated data (CML / SM / TEM / PMS) & Aircraft drawings |
| Aircraft Recovery Manual   | ARM                 |            |                                   | PDF                    | E           |            | [***]        |  |
| Aircraft Rescue & Firefighting Chart                                   | ARFC                |            |                                   | PDF                    | E           |            | [***]        |  |
| List of Effective Technical Data                                       | LETD                |            |                                   | PDF                    | C           |            | [***]        |  |
| Live Animal Transportation Calculation Tool                            | LATC                |            | X                                 |                        | E           |            | [***]        |  |
| Supplier Product Support Agreements                                    | SPSA                |            |                                   | PDF                    | G           |            | [***]        |  |
| Vendor Information Manual  | VIM                 |            | X                                 |                        | G           |            | [***]        |  |
|  | VIM/GSE             |            | X                                 |                        | G           |            | [***]        |  |

Tech Data Exhibit G – FRL – A350 XWB - TAM

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

**EXHIBIT "H"**

**MATERIAL**

**SUPPLY AND SERVICES**

A350 XWB – TAM – 12/2007

Exhibit H - 1/24



EXHIBIT "H"

**1 GENERAL**

**1.1** This Exhibit defines the terms and conditions for the material support services offered by the Seller to the Buyer in the following areas:

- Initial provisioning of data and material
- Replenishment of material
- Lease of certain Seller Parts

1.1.1 Capitalized terms used herein and not otherwise defined in this Exhibit "H" shall have the same meanings assigned thereto in the Agreement.

1.1.2 References made to Clauses or sub-Clauses shall refer to Clauses or sub-Clauses of this Exhibit "H" unless otherwise specified.

**1.2 Scope of Material Support**

Material is classified into the following categories (hereinafter referred to as "**Material**"):

- (i) Seller Parts (Seller's proprietary Material bearing an official part number of the Seller or Material for which the Seller has the exclusive sales rights);
- (ii) Supplier Parts classified as Repairable Line Maintenance Parts in accordance with SPEC 2000;
- (iii) Supplier Parts classified as Expendable Line Maintenance Parts in accordance with SPEC 2000;
- (iv) Ground Support Equipment and Specific (To Type) Tools.

1.2.1 Certain Seller Parts listed in Appendix A of Clause 6 of Exhibit H are available for lease by the Seller to the Buyer.

1.2.2 The Material support to be provided hereunder by the Seller covers items classified as Material in sub-Clauses 1.2 (i) thru (iv) both for initial provisioning as described in Clause 2 ("**Initial Provisioning**") and for replenishment as described in Clause 3.

Repairable Line Maintenance Parts as specified in sub-Clauses 1.2 (i) and 1.2 (ii) above having [\*\*\*]

1.2.3 Engines, quick engine change kit accessories and parts, including associated parts, are not covered under this Exhibit "H" and shall be subject to direct agreements between the Buyer and the relevant Engines Manufacturer. The Seller shall use its reasonable efforts to assist the Buyer in case of any difficulties with availability of Engines and associated spare parts.

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Exhibit H - 2/24

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

1.2.4 During a [\*\*\*] (the “**Term**”), the Seller shall maintain or have maintained such stock of Seller Parts as is deemed reasonable by the Seller and shall furnish at reasonable prices Seller Parts adequate to meet the Buyer’s needs for maintenance of the Aircraft.

The Seller shall use [\*\*\*] to obtain a similar service from all Suppliers of parts which are originally installed on the Aircraft and not manufactured by the Seller.

**1.3 Airbus Spares Support and Services Headquarter**

1.3.1 The Seller has established its Airbus Spares Support Centre in HAMBURG, FEDERAL REPUBLIC OF GERMANY (“**Airbus Spares Support Centre**”) and shall maintain or cause to be maintained during the Term a central store of Seller Parts.

1.3.2 The Airbus Spares Support Centre is operated twenty-four (24) hours/day and seven (7) days/week.

1.3.3 The Seller reserves the right to effect deliveries from distribution centres other than Airbus Spares Support Centre or from any designated production or Suppliers’ facilities.

For efficient and convenient deliveries, the Seller and its Affiliate companies operate regional satellite stores.

**1.4 Agreements of the Buyer**

1.4.1 The Buyer agrees to purchase from the Seller or its licensee(s) (“the Licensees”) the Seller Parts required for the Buyer’s own needs during the Term, provided that the provisions of this Clause 1.4 shall not in any way prevent the Buyer from resorting to the Seller Parts stocks of other operators using the same Aircraft or from purchasing Seller Parts from said operators or from distributors, provided said Seller Parts have been designed by the Seller and manufactured by the Seller or its Licensee(s).

1.4.2 The Buyer may manufacture or have manufactured for its own use without paying any license fee to the Seller parts equivalent to Seller Parts:

1.4.2.1 after expiration of the Term if at such time the Seller Parts are out of stock,

1.4.2.2 at any time, to the extent Seller Parts are needed to effect aircraft on ground (“**AOG**”) repairs upon any Aircraft delivered under the Agreement and are not available from the Seller or its Licensees within a lead time shorter than or equal to the time in which the Buyer can procure such Seller Parts, and provided the Buyer shall not sell such Seller Parts,

1.4.2.3 in the event that the Seller fails to fulfil its obligations with respect to any Seller Parts pursuant to Clause 1.2 within a reasonable time after written notice thereof from the Buyer,

A350 XWB – TAM – 12/2007

Exhibit H - 3/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

- 1.4.2.4 in those instances where a Seller Part is identified as "Local Manufacture" in the Illustrated Parts Catalog (IPC).
- 1.4.3. The rights granted to the Buyer in Clause 1.4.2 shall not in any way be construed as a license, nor shall they in any way obligate the Buyer to the payment of any license fee or royalty, nor shall they in any way be construed to affect the rights of third parties.
- 1.4.4. Furthermore, in the event of the Buyer manufacturing or having manufactured any parts, subject to the conditions of Clause 1.4.2, such manufacturing and any use made of the manufactured part shall be under the sole liability of the Buyer and the consent given by the Seller shall not be construed as express or implicit approval howsoever either of the Buyer or of the manufactured parts.  
  
It shall further be the Buyer's responsibility to ensure that such manufacturing is performed in accordance with the relevant procedures and Aviation Authority requirements.
- 1.4.5. The Buyer shall allocate or cause to be allocated its own partnumber to any part manufactured or caused to be manufactured subject to Clause 1.4.2 above. The Buyer shall not be allowed to use or cause to be used the Airbus Partnumber of the Seller Part to which such manufactured part is equivalent.
- 1.4.6. Notwithstanding any right provided to the Buyer under Clause 1.4.2, the Buyer shall not be entitled under any circumstances to sell any part manufactured or caused to be manufactured under Clause 1.4.2 to any third party.

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EXHIBIT "H"

**2 INITIAL PROVISIONING**

**2.1 Initial Provisioning Period**

The **Initial Provisioning Period** is defined as the [\*\*\*]

**2.2 Pre-Provisioning Meeting**

2.2.1 The Seller shall organize a pre-provisioning meeting ("**Pre-Provisioning Meeting**") at its Airbus Spares Support Centre for the purpose of formulating an acceptable schedule and working procedure to accomplish the initial provisioning of Material.

2.2.2 The date of the meeting shall be mutually agreed upon by the Buyer and the Seller, allowing a [\*\*\*] for the Initial Provisioning Conference referred to in Clause 2.4 below.

**2.3 Initial Provisioning Training**

Upon the request of the Buyer, the Seller shall provide Initial Provisioning training for the Buyer's provisioning and purchasing personnel [\*\*\*]). The following areas shall be covered:

- (i) The Seller during the Pre-Provisioning Meeting shall familiarize the Buyer with the provisioning documents.
- (ii) The technical function as well as the necessary technical and commercial Initial Provisioning Data shall be explained during or prior to the Initial Provisioning Conference.
- (iii) A familiarization with the Seller's purchase order administration system shall be conducted during the Initial Provisioning Conference.

**2.4 Initial Provisioning Conference**

The Seller shall organize an Initial Provisioning conference ("**Initial Provisioning Conference**") at the Airbus Spares Support Centre, including participation of major Suppliers, which Initial Provisioning Conference shall take place on the date mutually agreed upon during the Pre-Provisioning Meeting.

Such conference shall not take place [\*\*\*] Manufacturer Serial Number allocation, Buyer Furnished Equipment selection or Contractual Definition Freeze of the first Aircraft, whichever is the latest. In preparation of the Initial Provisioning Meeting, the Seller shall provide a customized recommended spare parts list taking into consideration the Buyer's fleet size, network, etc.

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Exhibit H - 5/24

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**2.5 Seller-Supplied Data**

The Seller shall prepare and supply to the Buyer the data set forth hereunder.

**2.5.1 Initial Provisioning Data**

Initial Provisioning data elements generally in accordance with SPEC 2000, Chapter 1, (“**Initial Provisioning Data**”) shall be supplied by the Seller to the Buyer in a form, format and a time-scale to be mutually agreed upon during the Pre-Provisioning Meeting.

2.5.1.1 Revision service shall be [\*\*\*]

2.5.1.2 In any event, the Seller shall ensure that Initial Provisioning Data is released to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow the on-time delivery of any ordered Material.

**2.5.2 Supplementary Data**

The Seller shall provide the Buyer with supplementary data to the Initial Provisioning Data, including Local Manufacture Tables (X-File) and Ground Support Equipment and Specific (To-Type) Tools (W-File) in accordance with SPEC 2000, Chapter 1.

**2.5.3 Data for Standard Hardware**

The Initial Provisioning Data provided to the Buyer shall include data for hardware and standard material.

**2.6 Supplier-Supplied Data**

**2.6.1 General**

The Seller shall obtain from Suppliers agreements to prepare and issue for their own products as per Clause 1.2 (ii) repair/overhaul Initial Provisioning Data in the English language, for those components for which the Buyer has elected to receive data.

Said data (initial issue and revisions) shall be transmitted to the Buyer through the Suppliers and/or the Seller. The Seller shall not be responsible for the substance of such data.

In any event, the Seller shall exert its reasonable efforts to supply such Data to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow on-time deliveries.

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Exhibit H - 6/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

2.6.2 **Initial Provisioning Data**

Initial Provisioning Data elements for Supplier Parts as per sub-Clause 1.2 (ii) generally in accordance with SPEC 2000, Chapter 1, shall be furnished as mutually agreed upon during a Pre-Provisioning Meeting with revision service assured up to the end of the Initial Provisioning period.

2.7 **Initial Provisioning Data Compliance**

2.7.1 Initial Provisioning Data generated by the Seller and supplied to the Buyer shall comply with the latest configuration of the Aircraft to which such data relate as known [\*\*\*] before the date of issue. Said data shall enable the Buyer to order Material conforming to its Aircraft as required for maintenance and overhaul.

This provision shall not cover:

- Buyer modifications not known to the Seller,
- modifications not agreed to by the Seller.

2.8 **Commercial Offer**

2.8.1 At the end of the Initial Provisioning Conference, the Seller shall, at the Buyer's request, submit a commercial offer for all Material as defined in Clauses 1.2 (i) thru 1.2 (iv) mutually agreed as being Initial Provisioning based on the Seller's sales prices valid at the time of finalization of the Initial Provisioning Conference. This commercial offer shall be valid for a period to be mutually agreed upon, irrespective of any price changes for Seller Parts during this period, except for significant error and/or price alterations due to part number changes and/or Supplier price changes.

2.8.2 During the Initial Provisioning Period the Seller shall supply Material, as defined in Clause 1.2 and ordered from the Seller, which shall be in conformity with the configuration standard of the concerned Aircraft and with the Initial Provisioning Data transmitted by the Seller.

2.8.3 The Seller shall in addition use [\*\*\*] cause Suppliers to provide a similar service for their items.

2.9 **Delivery of Initial Provisioning Material**

2.9.1 To cover the requirements in Material for entry into service of the Aircraft, the Seller shall [\*\*\*] deliver Material ordered during the Initial Provisioning Period against the Buyer's orders and according to a mutually agreed schedule. Such deliveries shall cover the Material requirements in line with the Aircraft fleet build up, only up to that portion of the ordered quantity that is recommended for the number of Aircraft operated during the Initial Provisioning Period.

The Seller shall in addition use its reasonable efforts to cause Suppliers to provide to the Buyer a similar service for their items.

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Exhibit H - 7/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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EXHIBIT "H"

- 2.9.2 The Buyer may, subject to the Seller’s agreement, cancel or modify Initial Provisioning orders placed with the Seller, with no cancellation charge, not later than the quoted lead-time before scheduled delivery of said Material.
- 2.9.3 In the event of the Buyer cancelling or modifying (without any liability of the Seller for the cancellation or modification) any orders for Material outside the time limits defined in Clause 2.9.2, the Buyer shall reimburse the Seller for any costs incurred in connection therewith.
- 2.9.4 All transportation costs for the return of Material under this Clause 2, including any insurance, customs and duties applicable or other related expenditures, shall be borne by the Buyer.
- 2.10 Initial Provisioning Data [\*\*\*]**  
[\*\*\*]

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Exhibit H - 8/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**3 REPLENISHMENT AND DELIVERY**

**3.1 General**

Buyer's purchase orders are administered in accordance with SPEC 2000, Chapter 3.

For the purpose of clarification it is expressly stated that the provisions of Clause 3.2 do not apply to Initial Provisioning Data and Material as described in Clause 2.

**3.2 Lead times**

In general, lead times are in accordance with the provisions of the "World Airlines and Suppliers' Guide" (Latest Edition).

3.2.1 Seller Parts as per sub-Clause 1.2 (i) listed in the Seller's Spare Parts Price Catalog can be dispatched within the lead times defined in the Spare Parts Price Catalog.

Lead times for Seller Parts, which are not published in the Seller's Spare Parts Price Catalog, are quoted upon request.

3.2.2 Material of sub-Clauses 1.2 (ii) thru 1.2 (iv) can be dispatched within the Supplier's lead-time augmented by the Seller's own order and delivery processing time.

**3.2.3 Expedite Service**

The Seller shall provide a twenty-four (24) hours-a-day, seven (7) days-a-week expedite service to provide for the supply of the relevant Seller Parts available in the Seller's stock, workshops and assembly line including long lead time spare parts, to the international airport nearest to the location of such part ("**Expedite Service**").

3.2.3.1 The Expedite Service is operated in accordance with the "World Airlines and Suppliers' Guide", and the Seller shall notify the Buyer of the action taken to satisfy the expedite within:

- four (4) hours after receipt of an AOG Order,
- twenty-four (24) hours after receipt of a Critical Order (imminent AOG or work stoppage),
- seven (7) days after receipt of an Expedite Order from the Buyer.

3.2.3.2 The Seller shall deliver Seller Parts requested on an Expedite basis against normal orders placed by the Buyer, or upon telephone or telex requests by the Buyer's representatives. Such telephone or telex requests shall be confirmed by subsequent Buyer's orders for such Seller Parts within a reasonable time.

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EXHIBIT "H"

**3.3 Delivery Status**

The Seller shall make available to the Buyer on the Airbus Spares Portal the status of supplies against orders.

**3.4 Excusable Delay**

Clause 10.1 of the Agreement shall apply to the Material support.

**3.5 Shortages, Overshipments, Non-Conformity in Orders**

3.5.1 The Buyer shall immediately and not later than thirty (30) days after receipt of Material delivered pursuant to a purchase order advise the Seller:

- a) of any alleged shortages or overshipments with respect to such order,
- b) of all non-conformities to specification of parts in such order subjected to inspections by the Buyer.

In the event of the Buyer not having advised the Seller of any such alleged shortages, overshipments or non-conformity within the above defined period, the Buyer shall be deemed to have accepted the deliveries.

3.5.2 In the event of the Buyer reporting overshipments or non-conformity to the specifications within the period defined in Clause 3.5.1 the Seller shall, if the Seller accepts such overshipment or non-conformity, either replace the concerned Material or credit the Buyer for the returned Material. In such case, transportation costs shall be borne by the Seller.

The Buyer shall endeavour to minimize such costs, particularly through the use of its own airfreight system for transportation at no charge to the Seller.

**3.6 Packaging**

All Material shall be packaged in accordance with ATA 300 Specification, Category III for consumable/expendable material and Category II for rotables. Category I containers shall be used if requested by the Buyer and the difference between Category I and Category II packaging costs shall be paid by the Buyer together with payment for the respective Material.

**3.7 Cessation of Deliveries**

The Seller reserves the right to restrict, stop or otherwise suspend deliveries if the Buyer fails to meet its obligations defined in Clauses 4.2 thru 4.4.



EXHIBIT "H"

**4 COMMERCIAL CONDITIONS**

**4.1 Price**

4.1.1 The Material prices shall be:

- Free Carrier (FCA) the Airbus Spares Support Centre for deliveries from the Airbus Spares Support Centre.
- Free Carrier (FCA) place specified by the Seller for deliveries from other Seller or Supplier facilities as the term Free Carrier (FCA) is defined by the publication N° 560 of the International Chamber of Commerce published in January 2000.

4.1.2 Prices shall be the Seller's sales prices in effect on the date of receipt of the order (subject to reasonable quantities and delivery time) and shall be expressed in US-Dollars.

4.1.3 Prices of Seller Parts shall be in accordance with the current Seller's Spare Parts Price Catalog. Prices shall be firm for each calendar year. The Seller, however, reserves the right to revise the prices of said parts during the course of the calendar year in the following cases:

- significant revision in manufacturing costs,
- significant revision in manufacturer's purchase price of parts or materials (including significant variation of exchange rates),
- significant error in estimation or expression of any price.

4.1.4 Prices of Material as defined in sub-Clauses 1.2 (ii) thru 1.2 (iv) shall be the valid list prices of the Supplier augmented by the Seller's handling charge. The percentage of the handling charge shall vary with the Material's value and shall be determined item by item.

**4.2 Payment Procedures and Conditions**

4.2.1 Payment shall be made in immediately available funds in the quoted currency. In case of payment in any other free convertible currency, the exchange rate valid on the day of actual money transfer shall be applied for conversion.

4.2.2 Payment shall be made by the Buyer to the Seller within [\*\*\*]

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Exhibit H - 11/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

4.2.3 The Buyer shall make all payments hereunder to the Seller's account with:

[\*\*\*]

or as otherwise directed by the seller.

4.2.4 All payments due to the Seller hereunder shall be made in full without set-off, counterclaim, deduction or withholding of any kind. Consequently, the Buyer shall procure that the sums received by the Seller under this Exhibit "H" shall be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature except that if the Buyer is compelled by law to make any such deduction or withholding the Buyer shall pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding shall equal the amounts which would have been received in the absence of such deduction or withholding.

4.2.5 If any payment due to the Seller is not received in accordance with the timescale provided in Clause 4.2.2, without prejudice to the Seller's other rights under this Exhibit "H", the Seller shall be entitled to interest for late payment calculated on the amount due

[\*\*\*]

**4.3 intentionally left blank**

**4.4 Title**

Title to any Material purchased under this Exhibit "H" remains with the Seller until full payment of the invoices and any interest thereon has been received by the Seller.

The Buyer shall undertake that Material, title to which has not passed to the Buyer, shall be kept free from any debenture or mortgage or any similar charge or claim in favour of any third party.

**4.5 Buy-Back**

**4.5.1 Buy-Back of Obsolete Material**

The Seller agrees to buy back unused Seller Parts which may become obsolete up to [\*\*\*] to the Buyer as a result of mandatory modifications required by the Buyer's or the Seller's Aviation Authorities, subject to the following:

4.5.1.1 The Seller Parts involved shall be those, which the Buyer is directed by the Seller to scrap or dispose of and which cannot be reworked or repaired to satisfy the revised standard.

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Exhibit H - 12/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

4.5.1.2 The Seller shall credit to the Buyer the purchase price paid by the Buyer for any such obsolete parts, provided that the Seller's liability in this respect does not extend to quantities in excess of the Seller's Initial Provisioning recommendation.

4.5.1.3 The Seller shall use its reasonable efforts to obtain for the Buyer the same protection from Suppliers.

**4.5.2 Buy-Back of Initial Provisioning Surplus Material**

4.5.2.1 The Seller agrees that at any time after

[\*\*\*]

4.5.2.2 In the event of the Buyer electing to procure Material in excess of the Seller's recommendation, the Buyer shall notify the Seller thereof in writing, with due reference to the present Clause. The Seller's agreement in writing is necessary before any Material in excess of the Seller's recommendation shall be considered for buy-back.

4.5.2.3 It is expressly understood and agreed that the rights granted to the Buyer under this Clause 4.5.2 shall not apply to Material which may become surplus to requirements due to obsolescence at any time or for any reason other than those set forth in Clause 4.5.1 above.

4.5.2.4 Further, it is expressly understood and agreed that all credits described in this Clause 4.5.2 shall be provided by the Seller to the Buyer exclusively by means of credit notes to be entered into the Buyer's spares account with the Seller.

4.5.3 All transportation costs for the return of obsolete or surplus Material under this Clause 4, including any insurance and customs duties applicable or other related expenditures, shall be borne by the Buyer.

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Exhibit H - 13/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

**4.6 Inventory Usage Data**

The Buyer undertakes to provide periodically to the Seller a quantitative list of the parts used for maintenance and overhaul of the Aircraft. The range and contents of this list shall be established according to SPEC 2000, Chapter 5, or as mutually agreed between the Seller and the Buyer.

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Exhibit H - 14/24



EXHIBIT "H"

**5. WARRANTIES**

**5.1 Seller Parts**

Subject to the limitations and conditions as hereinafter provided, the Seller warrants to the Buyer that all Seller Parts in sub-Clause 1.2 (i) shall at delivery to the Buyer:

- (i) be free from defects in material,
- (ii) be free from defects in workmanship, including without limitation processes of manufacture,
- (iii) be free from defects arising from failure to conform to the applicable specification for such part.

**5.2 Warranty Period**

5.2.1 The [\*\*\*] warranty period for new Seller Parts is [\*\*\*]

5.2.2 The [\*\*\*] warranty period for used Seller Parts delivered by and/or repaired, modified, overhauled or exchanged by the Seller is [\*\*\*]

**5.3 Buyer's Remedy and Seller's Obligation**

The Buyer's remedy and Seller's obligation and liability under this Clause 5 are limited to the repair, replacement or correction, at the Seller's expense and option, of any Seller Part which is defective.

The Seller may equally at its option furnish a credit to the Buyer for the future purchase of Seller Parts equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Seller Parts.

The provisions of Clauses 12.1.5 thru 12.1.10 of the Agreement shall apply to this Clause 5 of this Exhibit "H".

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Exhibit H - 15/24

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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EXHIBIT "H"

**5.4 Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 5 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, ITS SUPPLIERS AND/OR THEIR INSURERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY MATERIAL DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR MATERIAL DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY MATERIAL DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 5.4, "THE SELLER" SHALL INCLUDE THE SELLER, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.



EXHIBIT "H"

**6 SELLER PARTS LEASING**

**6.1 General**

The terms and conditions of this Clause 6 shall apply for the leasing of Seller Parts listed in Appendix A to this Clause 6, hereinafter "**Leased Parts**" or a "**Leased Part**", and shall form a part of each lease of Seller Parts by the Buyer from the Seller.

6.1.1 The terms and conditions of this Clause 6 shall prevail over all other terms and conditions appearing on any order form or other document pertaining to Leased Parts. The Seller's current proprietary parts Repair Guide shall be provided to the Buyer and shall be used, along with this Agreement, as the basis for Seller Parts lease transactions between the Buyer and the Seller. In case of discrepancy, this Agreement shall prevail.

6.1.2 For the purposes of this Clause 6, the term "**Lessor**" refers to the Seller and the term "**Lessee**" refers to the Buyer.

6.1.3 Parts not included in Appendix A to this Clause 6 shall be the subject of a separate lease agreement supplied by the Seller at the Buyer's request.

**6.2 Leasing Procedure**

Upon the Lessee's request by telephone (to be confirmed promptly in writing), facsimile, cable, SITA, letter or other written instrument, the Lessor shall lease such Leased Parts, which shall be made available in accordance with Clause 3.2.3 for the purpose of being substituted for a part removed from an Aircraft for repair or overhaul. The Leased Parts shall be delivered by the Seller FCA Seller's Facility and shall be accompanied by all the necessary airworthiness documentations. Each lease of Leased Parts shall be evidenced by a lease document (hereinafter "**Lease**") issued by the Lessor to the Lessee not later than [\*\*\*] of the Leased Part.

**6.3 Lease Period**

6.3.1 The total term of the Lease (hereinafter "**Lease Period**") shall be counted from inclusively the day the Leased Part is delivered Free Carrier (FCA) up to inclusively the day of receipt of the Leased Part back at the Lessor or at any other address indicated by the Lessor.

6.3.2 If a Leased Part is not returned by the Lessee within [\*\*\*], the Lease shall be converted into a sale. Should the Lessee not return the Leased Part to the Lessor within [\*\*\*] and if the Lessor so elects, by giving prompt written notice to the Lessee, such non return shall be deemed to be an election by the Lessee to purchase the Leased Part and, upon the happening of such event, the Lessee shall pay the Lessor all amounts due under Clauses 6.4 and 6.8 for the Leased Part for the Lease Period of [\*\*\*] of the Leased Part at the moment of the conversion of the Lease.

A350 XWB – TAM – 12/2007

Exhibit H - 17/24

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

6.3.3 Notwithstanding the foregoing, the Lease Period shall end in the event of, and upon the date that, the Lessee acquiring title to a Leased Part as a result of exercise of the Lessee's option to purchase the Leased Part, as provided for herein.

6.3.4 The chargeable period to lease a part is a [\*\*\*] If the shipment of the Leased Part has been arranged and the Lessee cancels the lease order, the [\*\*\*] shall apply.

**6.4 Lease Charges and Taxes**

The Lessee shall pay the Lessor:

[\*\*\*]

**6.5 Risk of Loss, Maintenance, Storing and Repair of the Leased Part**

- (i) The Lessee shall be liable for maintaining and storing the Leased Part in accordance with all applicable rules of the relevant aviation authorities and the technical documentation and other instructions issued by the Lessor.
- (ii) Except for normal wear and tear, each Leased Part shall be returned to the Lessor in the same condition as when delivered to the Lessee.
- (iii) The Leased Part shall be repaired solely at repair stations approved by the Lessor. If during the Lease Period any inspection, maintenance, rework and/or repair is carried out to maintain the Leased Part serviceable, in accordance with the standards of the Lessor, the Lessee shall provide details and documentation about the scope of the work performed, including respective inspection, work and test reports.
- (iv) All documentation shall include, but not be limited to, evidence of incidents such as hard landings, abnormalities of operation and corrective action taken by the Lessee as a result of such incidents.

A350 XWB – TAM – 12/2007

Exhibit H - 18/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

- (v) The Leased Part must not be lent to a third party.
- (vi) Risk of loss or damage to each Leased Part shall remain with the Lessee until such Leased Part is redelivered to the Lessor at the return location specified in the applicable Lease. If a Leased Part is lost, damaged beyond economical repair or damaged unrepairable, the Lessee shall be deemed to have exercised its option to purchase said Leased Part in accordance with Clause 6.8 as of the date of such loss or damage.

**6.6 Title**

Title to each Leased Part shall remain with the Lessor at all times unless the Lessee exercises its option to purchase in accordance with Clause 6.8, in which case title shall pass to the Lessee upon receipt by the Lessor of the payment for the purchased Leased Part.

**6.7 Return of Leased Part**

6.7.1 The Lessee shall return the Leased Part at the end of the Lease Period to the address indicated on the individual lease document provided by the Lessor at the start of each Lease transaction.

6.7.2 The return shipping document shall indicate the reference of the Lease document and the removal data, such as:

- (i) aircraft manufacturer serial number
- (ii) removal date
- (iii) total flight hours and flight cycles for the period the Leased Part was installed on the aircraft
- (iv) documentation in accordance with Clause 6.5.

If the Lessee cannot provide the above mentioned data and documentation for the Leased Part to be returned from Lease, [\*\*\*] According to the Lessor's quality standards, parts are not serviceable without the maintenance history data outlined above and have to be scrapped on site.

6.7.3 The unserviceable or serviceable tag issued by the Lessee and the original Lessor certification documents must be attached to the Leased Part.

6.7.4 Except for normal wear and tear, each Leased Part shall be returned to the Lessor in the same condition as when delivered to the Lessee. The Leased Part shall be returned with the same painting as when delivered (Airbus grey or primary paint). If the Lessee is not in a position to return the Leased Part in the same serviceable condition, the Lessee has to contact the Lessor for instructions.

6.7.5 The Leased Part is to be returned in the same shipping container as that delivered by the Lessor. The container must be in a serviceable condition, normal wear and tear excepted.

A350 XWB – TAM – 12/2007

Exhibit H - 19/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

6.7.6 The return of an equivalent part different from the Leased Part delivered by the Lessor is not allowed without previous written agreement of the Lessor.

6.8 [\*\*\*]

6.8.1

6.8.2

**6.9 Warranties**

6.9.1 The Lessor warrants that each Leased Part shall at the time of delivery be free from defects in material and workmanship which could materially impair the utility of the Leased Part.

**6.9.2 Warranty and Notice Periods**

The Lessee's remedy and the Lessor's obligation and liability under this Clause 6.9, with respect to each defect, are conditioned upon:

- (i) the defect having become apparent to the Lessee within the Lease Period and
- (ii) the return by the Lessee as soon as practicable to the return location specified in the applicable Lease, or such other place as may be mutually agreed upon, of the Leased Part claimed to be defective and
- (iii) the Lessor's warranty administrator having received written notice of the defect from the Lessee [\*\*\*] after the defect becomes apparent to the Lessee, with reasonable proof that the claimed defect is due to a matter embraced within the Lessor's warranty under this Clause 6.9 and that such defect did not result from any act or omission of the Lessee, including but not limited to any failure to operate or maintain the Leased Part claimed to be defective or the Aircraft in which it was installed in accordance with applicable governmental regulations and the Lessor's applicable written instructions.

A350 XWB – TAM – 12/2007

Exhibit H - 20/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

6.9.3 **Remedies**

The Lessee's remedy and the Lessor's obligation and liability under this Clause 6.9 with respect to each defect are limited to the repair of such defect in the Leased Part in which the defect appears, or, as mutually agreed, to the replacement of such Leased Part with a similar part free from defect.

Any replacement part furnished under this Clause 6.9.3 shall be deemed to be the Leased Part so replaced.

6.9.4 **Suspension and Transportation Costs**

6.9.4.1 If a Leased Part is found to be defective and covered by this warranty, the Lease Period and the Lessee's obligation to pay rental charges as provided for in sub-Clause 6.4 (i) shall be suspended from the date on which the Lessee notifies the Lessor of such defect until the date upon which the Lessor has repaired, corrected or replaced the defective Leased Part, provided, however, that the Lessee has, promptly after giving such notice to the Lessor, withdrawn such defective Leased Part from use. If the defective Leased Part is replaced, such replaced part shall be deemed to no longer be a Leased Part under the Lease as of the date upon which such part was received by the Lessor at the return location specified in the applicable Lease.

[\*\*\*]

6.9.4.2 All transportation and insurance costs of returning the defective Leased Part and returning the repaired, corrected or replacement part to the Lessee shall be borne by the Lessor.

6.9.5 **Wear and Tear**

Normal wear and tear and the need for regular maintenance and overhaul shall not constitute a defect or non-conformance under this Clause 6.9.

6.9.6 **Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LESSOR AND/OR ITS SUPPLIERS AND REMEDIES OF THE LESSEE SET FORTH IN THIS CLAUSE 6 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LESSOR AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE LESSEE AGAINST THE LESSOR, ITS SUPPLIERS AND/OR THEIR INSURERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY LEASED PART DELIVERED UNDER THESE LEASING CONDITIONS INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

A350 XWB – TAM – 12/2007

Exhibit H - 21/24

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE LESSOR'S OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR ANY LEASED PART DELIVERED HEREUNDER.

THE LESSOR AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY LEASED PART DELIVERED UNDER THESE LEASING CONDITIONS.

FOR THE PURPOSES OF THIS CLAUSE 6.9.6, "THE LESSOR" SHALL INCLUDE THE LESSOR, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

A350 XWB – TAM – 12/2007

Exhibit H - 22/24



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**LATAM AIRLINES GROUP**  
**FORM 20-F**

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Page 1 of 1

EXHIBIT "H"

**APPENDIX "A" TO CLAUSE 6 OF EXHIBIT "H"**

**SELLER PARTS AVAILABLE FOR LEASING**

[\*\*\*]

A350 XWB – TAM – 12/2007

Exhibit H - 23/24

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT "H"

**7 TERMINATION OF SPARES PROCUREMENT COMMITMENTS**

- 7.1** In the event of the Agreement being terminated with respect to any Aircraft due to causes provided for in Clauses 10, 11 or 20 of the Agreement, such termination may also affect the terms of this Exhibit "H" to the extent set forth in Clause 7.2 below.
- 7.2** Any termination under Clauses 10, 11 or 20 of the Agreement shall discharge all obligations and liabilities of the parties hereunder with respect to such undelivered spare parts, services, data or other items to be purchased hereunder which are applicable to those Aircraft for which the Agreement has been terminated. Unused spare parts in excess of the Buyer's requirements due to such Aircraft cancellation shall be [\*\*\*]

A350 XWB – TAM – 12/2007

Exhibit H - 24/24

"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**Exhibit 4.33.2**

Execution Version

**AMENDMENT N°1**

**TO THE**

**A 350 XWB PURCHASE AGREEMENT**

**BETWEEN**

**AIRBUS S.A.S.**  
**as Seller**

**AND**

**TAM - LINHAS AEREAS S.A.**  
**as Buyer**

REF: D10013836

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Execution Version

**AMENDMENT N°1  
TO THE  
A 350 XWB PURCHASE AGREEMENT**

This Amendment N°1 is made as of the 28th day of July 2010 and amends the A350 XWB Purchase Agreement entered into between the Buyer and the Seller on 20 December 2005 (as amended and restated on January 21, 2008),

Between

**AIRBUS S.A.S.**, having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

**TAM-LINHAS AEREAS S.A.**, having its principal office at:

Avenida Jurandir, 856, 4° andar, Lote 4,  
CEP 04072 - 000, Jardim CECI  
SAO PAULO - SP

BRAZIL

(herein after referred to as “**the Buyer**”) of the other part.

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Execution Version

**WHEREAS**

- A- The Seller and the Buyer have signed on 20 December 2005 (as amended and restated on January 21, 2008), an A350 XWB Purchase Agreement (Reference CSC.337.0179/07) relating to the purchase by the Buyer and the sale by the Seller of certain A350 XWB aircraft which, together with all its Exhibits, Appendixes and Letter Agreements attached thereto is hereinafter called the “Agreement” or the “A350 XWB Purchase Agreement”.
- B- The Buyer and the Seller now wish to enter into this Amendment N° 1 covering the [\*\*\*] A350 XWB [\*\*\*] pursuant to Letter Agreement No.3 of the A350 XWB Purchase Agreement and make certain amendment to the terms of the A350 XWB Purchase Agreement.

**NOW THEREFORE IT IS AGREED AS FOLLOWS:**

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Execution Version

**1. SCOPE**

The scope of this Amendment N°1 is:

- (i) the [\*\*\*] by the Buyer of [\*\*\*] A350 XWB [\*\*\*], Aircraft in accordance with the provisions of Letter Agreement No. 3 to the A350 XWB Purchase Agreement, and
- (ii) the amendment of the Delivery Schedule and [\*\*\*] of certain A350 XWB Aircraft.

**2.** [\*\*\*]

**2.1** [\*\*\*]

**2.2** [\*\*\*]

**2.3** [\*\*\*]

| [***] | Rank No | Delivery Date |
|-------|---------|---------------|
| [***] | [***]   | [***]         |
| [***] | [***]   | [***]         |
| [***] | [***]   | [***]         |
| [***] | [***]   | [***]         |
| [***] | [***]   | [***]         |

**2.4 Terms and Conditions**

2.4.1 Save to the extent specified to the contrary in this Amendment No. 1, all of the terms and conditions relating to A350-900 XWB aircraft set out in the A350 XWB Purchase Agreement (including, for the avoidance of doubt, all related Letter Agreements) shall apply to the A350 XWB [\*\*\*] (including but not limited to Aircraft Basic Price, Specification and Predelivery Payments).

2.4.2 The commercial concessions set out on Letter Agreements No. 1, 2 and 7 of the A350 XWB Purchase Agreement shall apply to the A350 XWB [\*\*\*] save to the extent they are expressed therein not to apply to [\*\*\*]

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Execution Version

2.5 [\*\*\*]

After the [\*\*\*] of the A350 XWB [\*\*\*] pursuant to paragraph 2.1 above, the Buyer shall [\*\*\*] [\*\*\*] pursuant to Letter Agreement No.3 of the Agreement. The Buyer and the Seller agree that the [\*\*\*] for the [\*\*\*] of the [\*\*\*]

3. **A350XWB AIRCRAFT** [\*\*\*]

Subject to the terms and conditions of this Amendment No. 1, the Buyer hereby [\*\*\*] \_ under Letter Agreement No.4 to the A350 XWB Purchase Agreement, to certain A350 XWB Aircraft as follows:

| Aircraft Rank No | [***]     | [***]       |
|------------------|-----------|-------------|
| 14               | A350- XWB | A350- ) XWB |
| 15               | A350- XWB | A350- ) XWB |

Each A350 [\*\*\*] A350[\*\*\*]XWB shall be referred to as the [\*\*\*] [\*\*\*] ).

The Buyer and the Seller agree that the Delivery Dates for each of the [\*\*\*] shall remain unchanged.

4. **A350XWB AIRCRAFT**

The Seller and the Buyer agree to [\*\*\*] A350-900 XWB [\*\*\*]

Aircraft Rank Numbering (the “A350XWB [\*\*\*]”

5. **A350XWB DELIVERY SCHEDULE**

Following (i) [\*\*\*] relating to the A350 XWB Aircraft, (ii) the [\*\*\*] set forth in Paragraph 3 above and (iii) the [\*\*\*] set forth in paragraph 4 above, the Buyer and the Seller hereby agree that the Delivery Schedule set forth in Clause 9.1.1.2 of the A350 XWB Purchase Agreement shall be cancelled and replaced with the following Delivery Schedule including contractual aircraft identifier (“CAC”) number:

| Aircraft Rank | CAC ID | Aircraft Type | Delivery Date                |
|---------------|--------|---------------|------------------------------|
| Aircraft N° 1 | [***]  | A350-[***]XWB | 2 <sup>nd</sup> Quarter 2014 |
| Aircraft N° 2 | [***]  | A350-[***]XWB | 2 <sup>nd</sup> Quarter 2014 |
| Aircraft N° 3 | [***]  | A350-[***]XWB | 4 <sup>th</sup> Quarter 2014 |
| Aircraft N° 4 | [***]  | A350-[***]XWB | [***] 2015                   |
| Aircraft N° 5 | [***]  | A350-[***]XWB | [***][***]                   |

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[ \* \* \* ]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Execution Version

|                |     |             |                              |
|----------------|-----|-------------|------------------------------|
| Aircraft N° 6  | *** | A350-***XWB | ***                          |
| Aircraft N° 7  | *** | A350-***XWB | ***                          |
| Aircraft N° 8  | *** | A350-***XWB | ***                          |
| Aircraft N° 9  | *** | A350-***XWB | ***                          |
| Aircraft N° 10 | *** | A350-***XWB | ***                          |
| Aircraft N° 11 | *** | A350- XWB   | ***                          |
| Aircraft N° 12 | *** | A350- XWB   | ***                          |
| Aircraft N° 13 | *** | A350- XWB   | ***                          |
| Aircraft N° 14 | *** | A350- XWB   | ***                          |
| Aircraft N° 15 | *** | A350- XWB   | ***                          |
| Aircraft N° 16 | *** | A350- XWB   | ***                          |
| Aircraft N° 17 | *** | A350- XWB   | ***                          |
| Aircraft N° 18 | *** | A350- XWB   | ***                          |
| Aircraft N° 19 | *** | A350- XWB   | ***                          |
| Aircraft N° 20 | *** | A350- XWB   | ***                          |
| Aircraft N° 21 | *** | A350- XWB   | ***                          |
| Aircraft N° 22 | *** | A350- XWB   | ***                          |
| Aircraft N° 23 | *** | A350- XWB   | ***                          |
| Aircraft N° 24 | *** | A350- XWB   | ***                          |
| Aircraft N° 25 | *** | A350- XWB   | ***                          |
| Aircraft N° 26 | *** | A350- XWB   | ***                          |
| Aircraft N° 27 | *** | A350- XWB   | 4 <sup>th</sup> Quarter 2018 |

**6. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment N°1, the A350 XWB Purchase Agreement, its Exhibits and Letter Agreements (as amended from time to time) shall apply also to this Amendment N°1.

This Amendment N°1 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein. This Amendment N°1 shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the A350 XWB Purchase Agreement.

In the event of any inconsistency between the A350 XWB Purchase Agreement and the present Amendment N°1, the latter shall prevail to the extent of said inconsistency.

Save to the extent expressly amended by the terms of this Amendment N°1, the A350 XWB Purchase Agreement shall remain in full force and effect, in accordance with its terms.

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Execution Version

**7. Law and Jurisdiction**

This Amendment N°1 shall be governed by and construed in accordance with the laws of France. Any dispute arising out of or in connection with this Amendment N°1 shall be within the exclusive jurisdiction of the Tribunal de Commerce of Paris.

**8. Severability**

In the event that any provision of this Amendment N°1 should for any reason be held ineffective, the remainder of this Amendment N°1 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment N°1 prohibited or unenforceable in any respect. Any provisions of this Amendment N°1 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be preformed in accordance with the spirit and purpose of this Amendment N°1.

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





Execution Version

This Amendment N°1 has been executed in two (2) original specimens which are in English.

**IN WITNESS WHEREOF** this Amendment N°1 to the A350 XWB Purchase Agreement was duly entered into the day and year first above written.

For and on behalf of

**TAM-LINHAS AEREAS S.A.**

Name:

Title :

Name:

Title

**Witness**

Name:

Title:

For and on behalf of

**AIRBUS S.A.S.**

Name :

Title :

**Witness**

Name:

Title:

A350 XWB PA – TAM – AMDT. 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 1**

July 28, 2010

**TAM-LINHAS AEREAS S.A.**

Avenida Jurandir, 856, 2º andar, Lote 4,  
CEP 04072 - 000, Jardim CECI,  
SAO PAULO – SP  
BRAZIL

**Subject: SPECIAL CONDITIONS**

**TAM-LINHAS AEREAS S.A.** (the “**Buyer**”) and **AIRBUS S.A.S.** (the “**Seller**”) have entered into an Amendment No.1 dated as of even date herewith (“**Amendment No. 1**”) relating to an A350 XWB Purchase Agreement dated 20 December 2005 (as amended and restated on 21 January 2008) (the “**A350 XWB Purchase Agreement**”) which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the A350 XWB First Incremental Aircraft as described in the Agreement.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the A350 XWB Purchase Agreement.

Both parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, non-severable part of the A350 XWB Purchase Agreement and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

A350XWB PA – TAM – AMDT 1 – D10013836-07/2010

- Letter Agreement N° 1 -Page 1/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LETTER AGREEMENT N° 1**

**1. A350XWB [\*\*\*]**

For the avoidance of doubt, the following provisions shall apply to the A350XWB [\*\*\*] (as defined in paragraph 4 of Amendment No. 1):

- a) the [\*\*\*] set out in Letter Agreement No.2 [\*\*\*] to the A350 XWB Purchase Agreement shall continue to apply with respect to the A350XWB [\*\*\*] and shall as set forth in said Letter Agreement No.2 be revised to the revised Delivery Dates; and
- b) the Pre-delivery Reference Price of the A350XWB [\*\*\*] shall be calculated in accordance with the provisions of Letter Agreement No. 11 [\*\*\*] to the A350 XWB Purchase Agreement [\*\*\*] to A350XWB Aircraft).

**2. A350XWB [\*\*\*]**

In consideration for, and as an [\*\*\*] for the Buyer [\*\*\*] of the A350 XWB [\*\*\*] of the A350- XWB Aircraft set forth in paragraph 3 and paragraph 4 of Amendment No.1, the Seller shall make available to the Buyer [\*\*\*] A350-900 XWB Aircraft specified in paragraph 3 of Amendment No.1 (the “[\*\*\*]”). To the extent that the Buyer exercises its rights to [\*\*\*] A350-900 XWB Aircraft after the date hereof [\*\*\*] \_ the Seller shall maintain the availability of the [\*\*\*] in respect of each Aircraft [\*\*\*] To the extent that the Buyer [\*\*\*] A350-900 XWB Aircraft [\*\*\*] the Seller shall make available to the Buyer [\*\*\*] in respect of each Aircraft [\*\*\*]

[\*\*\*]

**3. Pre-Delivery Payments [\*\*\*]**

With respect to the first Predelivery Payment payable in an amount of [\*\*\*] (the “**First PDP**”) which is pursuant to Clause 5.3.2 of the A350 XWB Purchase Agreement, the Seller agrees that the following payment schedule shall apply with respect to each A350XWB [\*\*\*] Aircraft:

- (i) [\*\*\*]

A350XWB PA – TAM – AMDT 1 – D10013836-07/2010

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 1**

paragraph 1.2 of Letter Agreement No.3 to the A350 XWB Purchase Agreement);  
[\*\*\*]

**4. Assignment**

Notwithstanding any other provision of this Letter Agreement or of the A350 XWB Purchase Agreement, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

**5. Confidentiality**

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the A350 XWB Purchase Agreement.

**6. Law and Jurisdiction**

This Letter Agreement shall be governed by and construed in accordance with the laws of France. Any dispute arising out of or in connection with this Letter Agreement shall be within the exclusive jurisdiction of the Tribunal de Commerce of Paris.

**7. Severability**

In the event that any provision of this Letter Agreement should for any reason be held ineffective, the remainder of this Letter Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Letter Agreement prohibited or unenforceable in any respect. Any provisions of this Letter Agreement which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Letter Agreement.

**8. Alterations to Contract**

This Letter Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Letter Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

A350XWB PA – TAM – AMDT 1 – D10013836-07/2010

- Letter Agreement N° 1 -Page 3/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LETTER AGREEMENT N° 1**

If the foregoing correctly sets forth our understanding, please execute two (2) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

Name:

Title:

Date:

Name:

Title:

Date:

**Witness**

Name:

Title:

Date:

Agreed and Accepted

For and on behalf of

**AIRBUS S.A.S.**

Name:

Title:

Date:

**Witness**

Name:

Title:

Date:

A350XWB PA – TAM – AMDT 1 – D10013836-07/2010

- Letter Agreement N° 1 -Page 4/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**PROPRIETARY AND CONFIDENTIAL**

**AMENDMENT N° 2  
TO THE  
A 350 XWB PURCHASE AGREEMENT**

**BETWEEN**

**AIRBUS S.A.S.  
as Seller**

**AND**

**TAM - LINHAS AEREAS S.A.  
as Buyer**

REF: D10013836

**A350 XWB PA – TAM – AMDT. 2 – D10013836 - 7/2014**  
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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

**AMENDMENT N° 2**

**TO THE**

**A 350 XWB PURCHASE AGREEMENT**

This Amendment N°2 is made as of the 15<sup>th</sup> day of July 2014 and amends the A350 XWB Purchase Agreement entered into between the Buyer and the Seller on 20 December 2005 (as amended and restated on January 21, 2008),

Between

**AIRBUS S.A.S.**, having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

**TAM – LINHAS AEREAS S.A.**, having its principal office at:

Avenida Jurandir, 856, 4° andar, Lote 4,  
CEP 04072 - 000, Jardim CECI  
SAO PAULO - SP

BRAZIL

(herein after referred to as “**the Buyer**”) of the other part.

**A350 XWB PA – TAM – AMDT. 2 – D10013836 - 7/2014**

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

**WHEREAS**

- A- The Seller and the Buyer have signed on 20 December 2005 (as amended and restated on January 21, 2008), an A350 XWB Purchase Agreement (Reference CSC.337.0179/07) relating to the purchase by the Buyer and the sale by the Seller of certain A350 XWB aircraft which, together with all its Exhibits, Appendixes and Letter Agreements attached thereto and Amendment No. 1, dated as of July 28, 2010 (“**Amendment N° 1**”), is hereinafter called the “**Agreement**” or the “**A350 XWB Purchase Agreement**”.
- B- The Buyer provided notice to the Seller on [\*\*\*]
- C- The Buyer and the Seller now wish to enter into this Amendment N° 2 (“**Amendment N° 2**”) [\*\*\*]

**NOW THEREFORE IT IS AGREED AS FOLLOWS:**

**A350 XWB PA – TAM – AMDT. 2 – D10013836 - 7/2014**  
**Page 3 of 34**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**PROPRIETARY AND CONFIDENTIAL**

**1. SCOPE**

The scope of this Amendment N° 2 is:

- (i) the amendment of the Delivery Schedule of certain A350-900 XWB Aircraft, and
- (ii) the amendment of the Aircraft Specification.

**2. AIRCRAFT [\*\*\*]**

2.1 [\*\*\*]

2.2 As a result of [\*\*\*] set forth in Clause 2.1 above and the parties agreement to [\*\*\*] the delivery schedule set forth in Clause 9.1.1 of the Agreement shall be cancelled and replaced with the following:

**A350 XWB PA – TAM – AMDT. 2 – D10013836 - 7/2014**

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

| <u>Aircraft Rank</u> | <u>CAC ID</u> | <u>Aircraft Type</u> | <u>Delivery Date</u> |
|----------------------|---------------|----------------------|----------------------|
| Aircraft N° 1        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 2        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 3        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 4        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 5        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 6        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 7        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 8        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 9        | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 10       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 11       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 12       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 13       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 14       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 15       |               | A350-900 XWB         | ***                  |
| Aircraft N° 16       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 17       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 18       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 19       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 20       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 21       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 22       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 23       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 24       |               | A350-900 XWB         | ***                  |
| Aircraft N° 25       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 26       | ***           | A350-900 XWB         | ***                  |
| Aircraft N° 27       | ***           | A350-900 XWB         | ***                  |

**2.3 Pre-delivery Payments**

As a result of the Aircraft [\*\*\*] set forth in Clause 2.1 above, the Parties hereby agree that [\*\*\*]

being the amount due in accordance with the Predelivery Payment schedule set forth in Clause 5.3.2 of the Agreement, as amended, following the Aircraft [\*\*\*] set forth in Clause 2.1 above [\*\*\*] (as defined in Letter Agreement No 1 to this Amendment N° 2), and this amount shall be [\*\*\*] hereof.

**2.4 Amendment N° 1 Revisions**

2.4.1 Paragraph 2.3 of Amendment N° 1 to the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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QUOTE

2.3 A350 XWB [\*\*\*] Delivery Dates

The A350 XWB [\*\*\*] shall have the following CAC ID numbers and Scheduled Delivery [\*\*\*] A350 XWB [\*\*\*] CAC ID Quarter

[\*\*\*]

UNQUOTE

2.4.2 Paragraph 3 of Amendment N° 1 to the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

3. A350XWB, [\*\*\*]

Subject to the terms and conditions of this Amendment N° 1, the Buyer hereby [\*\*\*] under Letter Agreement N° 4 to the Agreement, [\*\*\*] certain A350 XWB Aircraft as follows:

| Aircraft CAC ID | [***] | [***] |
|-----------------|-------|-------|
| 285728          | [***] | [***] |
| 285729          | [***] | [***] |

Each [\*\*\*] A350-900 XWB shall be referred to as the

[\*\*\*]

The Buyer and the Seller agree that the Scheduled Delivery [\*\*\*] for each of the [\*\*\*] shall remain unchanged.

UNQUOTE

**3. STANDARD SPECIFICATION OF THE AIRCRAFT**

The Parties hereby agree to amend the Standard Specification and all related clauses to the Agreement as follows:

**3.1 Definition Clause**

**A350 XWB PA – TAM – AMDT. 2 – D10013836 - 7/2014**

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**PROPRIETARY AND CONFIDENTIAL**

The Parties hereby agree to either insert in alphabetical order or amend and restate, as the case may be, the following definitions in clause 0.1 of the Agreement:

- A350XWB Family Aircraft Description Document or A350XWB Family ADD** means, as the context requires, either the A350XWB Family [\*\*\*] or any subsequent issue thereof applicable at the time of equipment selection, a copy of which has been annexed hereto in form of a CD-Rom as Exhibit A.
- A350[\*\*\*]XWB Standard Specification** has the meaning set out in Clause 2.1.2.1.
- A350-900 XWB Standard Specification** means the A350-900 standard specification [\*\*\*] a copy of which has been annexed hereto in form of a CD-Rom as Exhibit A.
- A350-[\*\*\*]XWB Standard Specification** has the meaning set out in Clause 2.1.2.1.
- ACS Supplier** has the meaning set out in Clause 12.3.2.1.1.
- Airbus Contracted Suppliers Equipment or ACS Equipment** has the meaning set out in Clause 12.3.2.1.2.
- Airbus Contracted Suppliers Support Agreements** has the meaning set out in Clause 12.3.2.1.3.
- AirbusWorld** the portal made available by the Seller to the Buyer in accordance with Part 4 of Exhibit I to the Agreement for supply of Airbus on-line services.
- Basic ADD** has the meaning set out in Clause 2.1.2.1.
- BFE Engineering Definition** has the meaning set out in Clause 18.1.2.1.
- BFE Premium Class Seats** has the meaning set out in Clause 2.5.2.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**PROPRIETARY AND CONFIDENTIAL**

|   |  |
|---|--|
| <b>BFE Supplier</b>                                 | means a supplier of Buyer Furnished Equipment.   |
| <b>BFE Supplier Data</b>                            | means the BFE supplier data necessary to successfully pass the first maturity gate of the BFE Premium Class Seats or other BFE authorized by the Seller.   |
| <b>Buyer Furnished Equipment or BFE</b>             | has the meaning set out in Clause 18.1.1.1   |
| <b>Contractual Definition Freeze or CDF</b>         | has the meaning set out in Clause 2.4.1.   |
| <b>Customization Milestone Chart</b>                | has the meaning set out in Clause 2.4.2.   |
| <b>Declaration of Design and Performance or DDP</b> | means the documentation provided by an equipment manufacturer guaranteeing that the corresponding equipment meets the requirements of the Specification, the interface documentation as well as all the relevant certification requirements. |
| <b>Final Price</b>                                  | has the meaning set out in Clause 3.3.   |
| [***]   | [***]  |
| <b>SPSA Application</b>                             | means the application on AirbusWorld which provides the Buyer with access to the Supplier Product Support Agreements and the Airbus Contracted Suppliers Support Agreements.   |
| <b>Standard Specification</b>                       | means, as applicable, the A350[***]XWB Standard Specification, the A350-900 XWB Standard Specification or the A350-[***] XWB Standard Specification.   |
| <b>Supplier</b>                                     | has the meaning set out in Clause 12.3.1.1.1.  |
| <b>Supplier Part</b>                                | has the meaning set out in Clause 12.3.1.1.2.  |
| <b>Supplier Product Support Agreement</b>           | has the meaning set out in Clause 12.3.1.1.3.  |

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**PROPRIETARY AND CONFIDENTIAL**

**3.2 Specification**

Clause 2 of the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

**2 SPECIFICATION**

**2.1 Aircraft Specification**

**2.1.1 A350-900 XWB Aircraft Specification**

2.1.1.1 The A350-900 XWB Aircraft shall be manufactured in accordance with the A350-900 XWB Standard Specification, a copy of which has been annexed hereto as Exhibit A, as may already have been modified or varied prior to the date of this Agreement by the Specification Change Notices listed in Appendix 1 to Exhibit A.

2.1.1.2 The Seller agrees to inform the Buyer of any Standard Specification evolutions that the Seller is offering to airlines for incorporation in the A350-900 XWB Aircraft.

**2.1.2 [\*\*\*] Basic Features**

2.1.2.1 The Buyer acknowledges that, at the date of signature of this Agreement, the design development of the [\*\*\*] are both in the process of being finalized and that the Aircraft definition corresponding to the Aircraft Basic Price set forth in Clause 3 of the Agreement is reflected by the basic aircraft features and functionalities set forth in the Seller’s current reference document for each of the foregoing A350XWB models, [\*\*\*]

CD-Rom as Exhibit A, and in form of a [\*\*\*]

a copy of which has been annexed hereto in the form of a CD-Rom as Exhibit A (each a “**Basic ADD**”), as may already have been modified or varied at the date of this Agreement by the Specification Change Notices listed in Appendix 1 to Exhibit A (“**ADD SCNs**”).

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Notwithstanding the foregoing, it is understood that each such Basic ADD shall be superseded by respectively an initial [\*\*\*] **Standard Specification**” or an initial [\*\*\*] **Standard Specification**”, as applicable, and that the Aircraft shall be manufactured in accordance with such Standard Specification, as may already have been modified or varied by the ADD SCNs. It is understood that, subject to the Seller’s certification, industrial and commercial constraints, some equipment currently set forth in the Basic ADDs may be replaced by equipment with equivalent functions, but that in no event shall either of such Standard Specifications contain any fewer equivalent basic aircraft features and functionalities than the Basic ADDs.

**2.1.2.2 A350XWB Aircraft – Comprehensive Offer**

In addition to the A350-900 XWB Standard Specification and each Basic ADD, and for the purpose of offering a comprehensive view of the available standard and optional A350XWB aircraft features for all three (3) models at the current stage of the development process, the Seller has also issued the A350XWB Family Aircraft Description Document. This document includes, in addition to the basic aircraft features and functionalities set forth in the A350-900 XWB Standard Specification and each Basic ADD, under sections marked “Customization”, the options foreseen at the date hereof. For the sake of clarity, it is agreed and understood that such options constitute the Seller’s customization offer.

2.1.2.3 The A350XWB Family ADD lists in an appendix the equipment that shall be ACS Equipment to be fitted on the Aircraft. Such ACS Equipment shall be supplied by manufacturers qualified by the Seller as ACS Suppliers, under selection process by the Seller. ACS Suppliers contracted by the Seller at the date hereof are listed in the A350XWB Family ADD.

The Buyer shall select the ACS Equipment from the A350XWB Family ADD, applicable at the time of the corresponding customization, at the date notified to the Buyer through the Customization Milestone Chart. Such selection shall be formally notified in writing at the date set forth in the Customization Milestone Chart and shall subsequently be formalized through the SCN process described in Clause 2.2.1. The Seller’s ACS Equipment option catalogues will contain, for each item of ACS Equipment, no fewer than [\*\*\*] alternative ACS Suppliers.

The Seller shall purchase and take title to the ACS Equipment. The Seller shall place the purchase order for the ACS Equipment either:

- a) at the price and associated price revision conditions jointly notified to the Seller by the Buyer and the ACS Supplier, or
- b) at the catalogue price applicable to such equipment at the time of such purchase order.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Should the Buyer and the corresponding ACS Supplier fail to jointly notify the Seller as per Clause 2.1.2.3 a) prior to the CDF date of the corresponding Aircraft, the Seller shall order the ACS Equipment at the then applicable catalogue price.

The format and recipient of the above notification shall be indicated to the Buyer during the customization process.

2.1.2.4 Without prejudice to Clause 22.10 of the Agreement, in the event of any inconsistency between the terms of this Agreement and the terms contained in the A350-900 XWB Standard Specification or the Basic ADD, the terms of this Agreement shall prevail over the terms of the A350-900 XWB Standard Specification or the Basic ADD, as applicable, to the extent of such inconsistency. For the purpose of this Clause 2.1, the term Agreement shall not include the A350-900 XWB Standard Specification or the Basic ADD, as applicable.

**2.1.3 Specification**

The Aircraft shall be manufactured in accordance with the Specification.

**2.2 Specification Amendment**

The parties understand and agree that the Specification may be further amended following signature of this Agreement in accordance with the terms of this Clause 2.

**2.2.1 Specification Change Notice**

The Specification may be amended by written agreement between the parties in a Specification Change Notice. Each SCN shall be substantially in the form set out in Exhibit B1 and shall set out the SCN’s Aircraft embodiment rank and shall also set forth, in detail, the particular change to be made to the Specification and the effect, if any, of such change on design, performance, weight, Delivery Date of the Aircraft affected thereby and on the text of the Specification. An SCN may result in an adjustment of the Aircraft Basic Price, which adjustment, if any, shall be specified in the SCN.

**2.2.2 Development Changes**

The Specification may also be amended to incorporate changes deemed necessary by the Seller to improve the Aircraft, prevent delay or ensure compliance with this Agreement (“**Development Changes**”), as set forth in this Clause 2.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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2.2.2.1 Manufacturer Specification Changes Notices

The Specification may be amended by the Seller through a Manufacturer Specification Change Notice (“MSCN”), which shall be substantially in the form set out in Exhibit B2 hereto and shall set out the MSCN’s Aircraft embodiment rank as well as, in detail, the particular change to be made to the Specification and the effect, if any, of such change on performance, weight, Aircraft Basic Price, Delivery Date of the Aircraft affected thereby and interchangeability or replaceability requirements under the Specification.

Except when the MSCN is necessitated by an Aviation Authority directive or by equipment obsolescence, in which case the MSCN shall be accomplished without requiring the Buyer’s consent, if the MSCN adversely affects the performance, weight, Aircraft Basic Price, Delivery Date of the Aircraft affected thereby or the interchangeability or replaceability requirements under the Specification, the Seller shall notify the Buyer of a reasonable period of time during which the Buyer must accept or reject such MSCN. If the Buyer does not notify the Seller of the rejection of the MSCN within such period, the MSCN shall be deemed accepted by the Buyer and the corresponding modification shall be accomplished.

2.2.2.2 In the event of the Seller revising the Specification to incorporate Development Changes, which have no adverse effect on any of the elements as set forth in 2.2.2.1 above, such revision shall be performed by the Seller without the Buyer’s consent.

In such cases, the Seller shall provide to the Buyer the details of such changes in an adapted format and on a regular basis.

2.3 Propulsion Systems

The Airframe shall be equipped with

[\*\*\*]

[\*\*\*] for the A350-900 XWB Aircraft: a set of two (2) Rolls Royce Trent XWB84 (84,000 lbs thrust) engines; and

[\*\*\*]

(hereinafter individually or collectively referred to as the “**Propulsion Systems**”).

2.4 Milestones

2.4.1 Contractual Definition Freeze Date

The Customization Milestone Chart defined in Clause 2.4.2 hereunder shall define the date(s) by which the contractual definition of the Aircraft must be finalized and all SCNs need to have been executed by the Buyer (the “**Contractual Definition Freeze**” or “**CDF**”) in order to enable their incorporation into the manufacturing of the Aircraft and Delivery of the Aircraft in the Scheduled Delivery Month. Each such date shall be referred to as a “**CDF Date**”.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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2.4.2 Customization Milestones Chart

Within a reasonable period following signature of the Agreement, the Seller shall provide the Buyer with a customization milestones chart (the “**Customization Milestone Chart**”), setting out how far in advance of the Scheduled Delivery Month (or the Scheduled Delivery Quarter, as the case may be) of the Aircraft:

- the Buyer needs to take certain decisions and actions; and
- the Buyer needs to provide certain information and documentation; and
- the Buyer needs to notify the Seller of the BFE Premium Class Seats, together with the selected BFE in-flight-entertainment (IFE) equipment, and associated BFE Suppliers selected by the Buyer, if applicable; such notification to be made in advance of the initial technical coordination meeting (“**ITCM**”); and
- the Buyer needs to notify the Seller of the ACS Seats, together with the selected ACS in-flight-entertainment (IFE) equipment, and associated ACS Suppliers selected by the Buyer; such notification to be made in advance of the technical coordination meeting (“**TCM**”); and
- the TCM for ACS Equipment and the ITCM for BFE Premium Class Seats, if applicable, shall be held; and
- SCNs must be executed in order to integrate into the Specification any items requested by the Buyer from the options set forth in the Seller’s A350XWB Family ADD applicable at the time of customization or any other items that the Buyer wishes to have installed in the Aircraft as per Clauses 2.5 and 18.

**2.5 A350XWB Cabin Customization**

2.5.1 Notwithstanding Clause 2.4.1, it is the Seller’s aim to provide the Buyer with flexibility with regard to the definition of the specification of the Aircraft cabin, while maintaining the Scheduled Delivery Month (or the Scheduled Delivery Quarter, as the case may be) of the Aircraft. The Buyer may hence proceed with the definition of the cabin exclusively through the selection of catalogue cabin solutions and options (“**Catalogue Items**”) developed by the Seller in the A350XWB Family ADD applicable at the time of customization, or may in addition thereto elect to opt for BFE Premium Class Seats, as defined in Clause 2.5.2 hereunder.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

**2.5.2 Alternative BFE Premium Seats for First and Business Class**

In addition to the Catalogue Items chosen in the A350XWB Family ADD as set forth in 2.5.1, the Buyer may submit to the Seller for consideration specific alternative BFE premium seats for first and business class (the “**BFE Premium Class Seats**”). Such BFE Premium Class Seats shall be subject to the provisions of Clause 18, as well as the following prerequisites:

[\*\*\*]

If the Buyer does not, prior to the Technical Coordination Meeting (TCM), supply the Seller with the applicable BFE Supplier Data by the date set forth in the Customization Milestone Chart, the Buyer shall be deemed to have chosen Catalogue Item application and any possibility of selecting BFE Premium Class Seats shall automatically lapse.

It is agreed and understood that it shall be the Buyer’s sole responsibility to ensure that all studies and engineering developments shall have been performed, in due time, in anticipation of providing the corresponding BFE Engineering Definition for such BFE Premium Class Seats and associated BFE IFE equipment, including the associated Declaration of Design and Performance.

UNQUOTE

**4. PRICE**

Clause 3 of the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

**3 PRICES**

**3.1 Aircraft Basic Price**

**3.1.1** The Aircraft Basic Price is the sum of:

- (i) the base price of the Aircraft as defined in the Standard Specification (including, for the avoidance of doubt, nacelles, thrust reversers and the relevant Propulsion Systems, but excluding Buyer Furnished Equipment and ACS Equipment), which is:

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- [\*\*\*]
- For A350-900 XWB Aircraft:
- [\*\*\*]
- (ii) the sum of the base prices of all SCNs set forth in Appendix 1 to Exhibit “A”, which is:
  - [\*\*\*]
  - For A350-900 XWB Aircraft:
  - [\*\*\*]

**3.1.2** The Aircraft Basic Price has been established in accordance with [\*\*\*] (the “**Base Period**”).

**3.2 Airbus Contracted Suppliers Equipment Price**

The conditions of purchasing of ACS Equipment for the Aircraft shall be the subject of an agreement between the ACS Suppliers and the Buyer. The Buyer and each ACS Supplier shall jointly communicate to the Seller the price and the associated price revision conditions at which the Seller is to place the purchase order for each ACS Equipment.

Notwithstanding the foregoing, it is understood that ACS Equipment for the Aircraft shall be purchased by the Seller, in accordance with the agreed terms as set forth in Clause 2.1.2.3 and invoiced to the Buyer in accordance with Clause 3.3.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**3.3 Final Price**

The Final Price of each Aircraft shall be the sum of:

- (i) the Aircraft Basic Price as revised as of the Delivery Date in accordance with Clause 4; plus
- (ii) the aggregate of all increases or decreases to the Aircraft Basic Price as agreed in any Specification Change Notice or part thereof applicable to the Aircraft subsequent to the date of this Agreement as revised as of the Delivery Date in accordance with Clause 4; plus
- (iii) the price of any and all ACS Equipment selected by the Buyer in the applicable Seller’s A350XWB Family ADD and purchased by the Seller, either at catalogue price and any applicable price revision applicable at the time of the purchase order or at the price and associated price revision conditions jointly communicated to the Seller by the Buyer and the respective ACS Suppliers as per Clause 2.1.2.3; plus
- (iv) any other amount due (a) by the Buyer to the Seller pursuant to this Agreement, and/or (b) any other amount due from the Buyer to the Seller or the Seller to the Buyer pursuant to any other written agreement between the Buyer and the Seller with respect to the Aircraft.

UNQUOTE

**5. [\*\*\*]**

Clause 5.3.1 of the Agreement, as amended by Letter Agreement No 11, is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

**5.3.1 [\*\*\*]**

**5.3.1.1 [\*\*\*]**

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**PROPRIETARY AND CONFIDENTIAL**

[\*\*\*]

- Aircraft identified by CAC ID 210199 2012
- Aircraft identified by CAC ID 210200 2012
- Aircraft identified by CAC ID 210201 2013
- Aircraft identified by CAC ID 210202 2013
- Aircraft identified by CAC ID 210203 2013
- Aircraft identified by CAC ID 210204 2013
- Aircraft identified by CAC ID 210205 2014
- Aircraft identified by CAC ID 210206 2014
- Aircraft identified by CAC ID 210207 2014
- Aircraft identified by CAC ID 210208 2014

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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5.3.1.2

[\*\*\*]

UNQUOTE

**6. WARRANTY AND SERVICE LIFE POLICY**

Clause 12.3 of the Agreement, as amended, is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

**12.3 Supplier and ACS Supplier Warranties and Service Life Policies**

[\*\*\*] the Seller shall provide the Buyer, in accordance with the provisions of Clause 17, with:

- a) the warranties and, where applicable, service life policies that the Seller has obtained for Supplier Parts pursuant to the Supplier Product Support Agreements, and

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

b) [\*\*\*]

**12.3.1 Supplier Warranties and Service Life Policies**

**12.3.1.1 Definitions**

12.3.1.1.1 **“Supplier”** means any supplier of Supplier Parts.

12.3.1.1.2 **“Supplier Part”** means any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof and for which there exists a Supplier Product Support Agreement. For the sake of clarity, i) Propulsion Systems, ii) ACS Equipment, iii) Buyer Furnished Equipment and iv) other equipment selected by the Buyer to be supplied by suppliers with whom the Seller has no existing enforceable warranty agreements, are not Supplier Parts.

12.3.1.1.3 **“Supplier Product Support Agreements”** means agreements between the Seller and Suppliers, as described in Clause 17.1.2, containing enforceable and transferable warranties and, in the case of landing gear suppliers, service life policies for selected structural landing gear elements.

**12.3.1.2 Supplier’s Default**

12.3.1.2.1 In the event of any Supplier, under any standard warranty obtained by the Seller pursuant to Clause 12.3.1, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.1 shall apply to the extent the same would have been applicable had such Supplier Part been a Warranted Part, except that the Supplier’s warranty period as indicated in the Supplier Product Support Agreement shall apply.

12.3.1.2.2 In the event of any Supplier, under any Supplier Service Life Policy obtained by the Seller pursuant to Clause 12.3.1, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.2 shall apply to the extent the same would have been applicable had such Supplier Item been listed in Exhibit F, Seller Service Life Policy, except that the Supplier’s Service Life Policy period as indicated in the Supplier Product Support Agreement shall apply.

12.3.1.2.3 At the Seller’s request, the Buyer shall assign to the Seller, and the Seller shall be subrogated to, all of the Buyer’s rights against the relevant Supplier with respect to and arising by reason of such default and shall provide reasonable assistance to enable the Seller to enforce the rights so assigned.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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12.3.2 **ACS Supplier Warranties**

12.3.2.1 **Definitions**

12.3.2.1.1 “ACS Supplier” means any supplier of ACS Equipment.

12.3.2.1.2 “Airbus Contracted Suppliers Equipment” or “ACS Equipment” means any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof and for which there exists an Airbus Contracted Suppliers Support Agreement. For the sake of clarity, i) Propulsion Systems, ii) Supplier Parts, iii) Buyer Furnished Equipment and iv) other equipment selected by the Buyer to be supplied by suppliers with whom the Seller has no existing enforceable warranty agreements, are not ACS Equipment.

12.3.2.1.3 “Airbus Contracted Suppliers Support Agreements” means agreements between the Seller and ACS Suppliers, as described in Clause 17.2.2, containing enforceable and transferable warranties.

12.3.2.2 **ACS Supplier’s Default**

The Buyer hereby:

- a) agrees and acknowledges that it shall have no right of recourse against the Seller with respect to any default by an ACS Supplier in respect of any ACS Equipment; and
- b) waives to the fullest extent permitted by applicable law any right of recourse against the Seller (in contract and/or at law) with respect to any default by an ACS Supplier in respect of any ACS Equipment,

in each case, following transfer by the Seller to the Buyer of warranties that the Seller has obtained for ACS Equipment pursuant to Airbus Contracted Suppliers Support Agreements.

UNQUOTE

**7. PATENT INDEMNITY**

Clause 13.1.2 of the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

13.1.2 Clause 13.1.1 shall not apply to

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- (i) Buyer Furnished Equipment or Propulsion Systems; or
- (ii) parts not supplied pursuant to a Supplier Product Support Agreement or an Airbus Contracted Suppliers Support Agreement; or
- (iii) software not created by the Seller.

UNQUOTE

**8. TECHNICAL DATA AND SOFTWARE SERVICES**

Immediately following Clause 14.3.2.6 of the Agreement the following quoted provision is hereby added to the Agreement as Clause 14.3.3:

QUOTE

**14.3.3 Airbus Contracted Supplier Equipment**

The Seller shall introduce Airbus Contracted Supplier Equipment data, for ACS Equipment that is installed on the Aircraft by the Seller, into the customized Technical Data, [\*\*\*] the Buyer for the initial issue of the Technical Data provided at or before Delivery of the first Aircraft.

UNQUOTE

**9. TRAINING AND TRAINING AIDS**

Clauses 16.9 and 16.11 of the Agreement are hereby cancelled in their entirety and replaced, respectively, with the following quoted provisions:

QUOTE

**16.9 Supplier and Propulsion Systems Manufacturer Training**

The Seller shall ensure that all major Suppliers and the Propulsion Systems Manufacturer will provide maintenance and overhaul training on their products at appropriate times. Upon the Buyer's request, the Seller shall provide to the Buyer the list of the maintenance and overhaul training courses provided by major Suppliers and ACS Suppliers and the applicable Propulsion Systems Manufacturer on their respective products.

UNQUOTE

QUOTE

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**16.11 Proprietary Rights**

The Seller’s training data and documentation, Airbus CBT, Virtual Aircraft and training aids are proprietary to the Seller and/or its Affiliates and/or its suppliers and/or ACS Suppliers and the Buyer agrees not to disclose the content of the courseware or any information or documentation provided by the Seller in relation to training, in whole or in part, to any third party without the prior written consent of the Seller save to the extent such disclosure is required in accordance with the applicable law, in which case the Buyer will promptly notify the Seller. This provision shall not apply to any information or documentation provided by the Seller in relation to training data that is in the public domain except that the Buyer will be liable to the Seller for breach of its obligations under this provision if such information or documentation entered the public domain as a consequence of a breach by the Buyer of this Clause 16.11.

UNQUOTE

**10. SUPPLIER AND ACS SUPPLIER PRODUCT SUPPORT**

Clause 17 of the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

**17 SUPPLIER AND ACS SUPPLIER PRODUCT SUPPORT**

**17.1 Supplier Product Support Agreements**

- 17.1.1 The Seller has obtained enforceable and transferable product support agreements from Suppliers of Supplier Parts, the benefit of which is hereby accepted by the Buyer. Said agreements become enforceable as soon as and for as long as an operator is identified as an Airbus aircraft operator.
- 17.1.2 These agreements are based on the “World Airlines Suppliers Guide”, are made available to the Buyer through the SPSA Application, and include Supplier commitments contained in the “Supplier Product Support Agreements”, as defined in Clause 12.3.1.1.3, which include the following provisions:
  - 17.1.2.1 Technical data and manuals required to operate, maintain, service and overhaul the Supplier Parts. Such technical data and manuals shall be prepared in accordance with the applicable provisions of ATA Specification including revision service and be published in the English language. The Seller shall recommend that a software user guide, where applicable, be supplied in the form of an appendix to the Component Maintenance Manual, such data shall be provided in compliance with the applicable ATA Specification;
  - 17.1.2.2 Warranties and guarantees, including standard warranties. In addition, landing gear Suppliers shall provide service life policies for selected structural landing gear elements;

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- 17.1.2.3 Training to ensure efficient operation, maintenance and overhaul of the Supplier Parts for the Buyer’s instructors, shop and line service personnel;
- 17.1.2.4 Spares data in compliance with ATA iSpecification 2200, initial provisioning recommendations, spare parts and logistics service including routine and expedite deliveries;
- 17.1.2.5 Technical service to assist the Buyer with maintenance, overhaul, repair, operation and inspection of Supplier Parts as well as required tooling and spares provisioning.

**17.1.3 Supplier Compliance**

The Seller shall monitor Suppliers’ compliance with the support commitments defined in the Supplier Product Support Agreements, [\*\*\*] and shall, if necessary, jointly take remedial action with the Buyer.

**17.2 ACS Suppliers Support Agreements**

17.2.1 The Seller has obtained enforceable and transferable product support agreements from ACS Suppliers of ACS Equipment, the benefit of which is hereby accepted by the Buyer. Said agreements become enforceable as soon as and for as long as an operator is identified as an Airbus aircraft operator.

17.2.2 These agreements are based on the “World Airlines Suppliers Guide”, are made available to the Buyer through the SPSA Application, and include ACS Supplier commitments contained in the “Airbus Contracted Suppliers Support Agreements”, as defined in Clause 12.3.2.1.3. Such commitments shall be substantially the same as those included in the Supplier Product Support Agreements, and detailed in Clause 17.1.2, except that guarantees, if any, shall be negotiated and agreed directly between the Buyer and the corresponding ACS Supplier.

**17.2.3 ACS Supplier Compliance**

The Seller shall monitor ACS Suppliers’ compliance with support commitments defined in the Airbus Contracted Suppliers Support Agreements and shall [\*\*\*] provide assistance to the Buyer as may reasonably be required.

17.3 Nothing in this Clause 17 shall be construed to prevent or limit the Buyer from entering into direct negotiations with a Supplier or an ACS Supplier with respect to different or additional terms and conditions applicable to Suppliers Parts or ACS Equipment selected by the Buyer to be installed on the Aircraft.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**17.4 Familiarization Training**

Upon the Buyer’s request, the Seller shall provide the Buyer with Supplier Product Support Agreements and Airbus Contracted Suppliers Support Agreements familiarization training at the Seller’s facilities in Blagnac, France, or such other location as may be agreed between the parties.

An on-line training module shall be further available through AirbusWorld, access to which shall be subject to the “General Terms and Conditions of Access to and Use of AirbusWorld” (hereinafter the “GTC”), as set forth in Exhibit I to this Agreement.

Both the Supplier Product Support Agreements and the Airbus Contracted Suppliers Support Agreements may be accessed through the SPSA Application.

For the avoidance of doubt, the use of the term “SPSA” with respect to ACS Suppliers or ACS Equipment shall solely be a reference to such SPSA Application and shall not be construed to imply that such ACS Suppliers or ACS Equipment are the subject of the Supplier Product Support Agreements for the purposes of Clause 17.1 above.

UNQUOTE

**11. BUYER FURNISHED EQUIPMENT AND AIRBUS CONTRACTED SUPPLIER EQUIPMENT**

Clause 18 of the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

**18 BUYER FURNISHED EQUIPMENT AND AIRBUS CONTRACTED SUPPLIER EQUIPMENT**

**18.1 Buyer Furnished Equipment**

**18.1.1 Administration**

18.1.1.1 [\*\*\*] in accordance with the Specification, the Seller shall install those items of equipment that are identified in the Specification as being furnished by the Buyer (“**Buyer Furnished Equipment**” or “**BFE**”).

18.1.1.2 It is a prerequisite to the installation that the considered BFE Supplier be qualified by the Seller’s Aviation Authorities to produce equipment for installation on civil aircraft. The Buyer shall be responsible for ensuring that any Buyer Furnished Equipment that is the subject of an SCN shall comply with the conditions set forth in this Clause 18.1 and specifically Clause 18.1.6.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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18.1.2.1 The Seller shall advise the Buyer [\*\*\*] of the dates by which, in the planned release of engineering for the Aircraft, the Seller requires the BFE Supplier Data and, subsequently, the final written detailed engineering definition, encompassing a Declaration of Design and Performance for BFE Premium Class Seats, when applicable, and BFE (the “**BFE Engineering Definition**”). The BFE Engineering Definition shall include the description of the dimensions and weight of BFE, the information related to its certification and the information necessary for the installation and operation thereof, including 3D models for BFE Premium Class Seats, when applicable.

The Buyer shall furnish, or cause the BFE Suppliers to furnish, both the BFE Supplier Data and BFE Engineering Definition by the dates specified through the Customization Milestone Chart as set forth in Clause 2.4.2.

The BFE Engineering Definition shall not be revised, except through an SCN executed in accordance with Clause 2.

18.1.2.2 The Seller shall also provide in due time, [\*\*\*] to the Buyer a schedule of dates and the shipping addresses for delivery of the BFE and, where requested by the Seller, additional spare BFE to permit installation in the Aircraft and Delivery of the Aircraft in accordance with the Aircraft delivery schedule. The Buyer shall provide, or cause the BFE Suppliers to provide, the BFE by such dates in a serviceable condition, in order to allow performance of any assembly, installation, test, or acceptance process in accordance with the Seller’s industrial schedule.

Notwithstanding the foregoing, for BFE IFE equipment to be integrated into BFE Premium Class Seats, the Buyer shall provide, or cause the BFE Premium Class Seats supplier to provide to the BFE IFE equipment supplier a schedule of dates and shipping addresses for delivery of the IFE equipment. In addition, where requested by the BFE Premium Class Seats supplier, the IFE supplier shall provide the former with additional spare IFE equipment to permit installation of the IFE equipment into the BFE Premium Class Seats in accordance with the BFE Premium Class Seat contractual delivery schedule. For BFE Premium Class Seats, the Buyer hereby warrants that each unit shall be delivered fully tested and ready for installation.

The Buyer shall also provide, when requested [\*\*\*] the Seller, at Airbus Operations S.A.S. works in Toulouse (France) and/or at Airbus Operations GmbH works in Hamburg (Germany) adequate field service including support from BFE Suppliers to act in a technical advisory capacity to the Seller in the installation, calibration and possible repair of any BFE.

18.1.3 At a suitable time prior to CDF, and without prejudice to the Buyer’s obligations hereabove, the Seller shall organize, when relevant, an Initial Technical Coordination Meeting (ITCM) between the Seller, the Buyer and BFE Suppliers at the A350XWB Customer Definition Centre in Hamburg, Germany. During such ITCM, the Seller’s employees shall be acting in an advisory capacity only and at no time shall they be deemed to be acting as Buyer’s employees or agents, either directly or indirectly



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18.1.3.1 Thereafter, the Buyer shall ensure that the necessary development review meetings are organized between the Buyer and the BFE Suppliers and shall provide adequate technical and engineering expertise to reach decisions within the defined timeframe.

In addition to the foregoing meetings, throughout the development phase and up to Delivery of the Aircraft to the Buyer, the Buyer agrees:

- to monitor the BFE Suppliers and ensure that they shall enable the Buyer to fulfil its obligations, including but not limited to those set forth in the Customization Milestone Chart;
- to place BFE purchase orders in a timely manner in order to ensure delivery of the corresponding BFE in accordance with the dates provided as per Clause 18.1.2.2.
- that, should a timeframe, quality or other type of risk be identified at a given BFE Supplier, the Buyer shall provide sufficient support to such BFE Supplier so as not to jeopardize the industrial schedule of the Aircraft.

18.1.3.2 Without prejudice to the Buyer’s obligations hereunder, in order to facilitate the follow-up of the timely receipt of BFE, the Seller reserves the right to request from the Buyer the dates and references of any relevant BFE purchase order placed by the Buyer and/or a copy of such purchase orders (excluding any commercial or confidential data).

18.1.4 The Buyer hereby agrees:

- to attend the First Article Inspection (“**FAI**”) for the first shipset of all BFE Premium Class Seats and BFE IFE. Should the Buyer not attend such FAI, the Buyer shall delegate the FAI to the BFE Supplier and confirmation thereof shall be supplied to the Seller in writing. Should the Buyer not attend the FAI, the Buyer shall be deemed to have accepted the conclusions of the BFE Supplier with respect to such FAI.
- to attend the Source Inspection (“**SI**”) that takes place at the BFE Supplier’s premises prior to shipping, for each shipset of all BFE Premium Class Seats and, when applicable, BFE IFE. Should the Buyer not attend such SI, the Buyer shall delegate the SI to the BFE Supplier and confirmation thereof shall be brought to the Seller in writing. Should the Buyer not attend the SI, the Buyer shall be deemed to have accepted the conclusions of the BFE Supplier with respect to such SI.

18.1.5 The BFE shall be imported into France or into Germany by the Buyer under a suspensive customs system (“Régime de l’entrepôt douanier ou régime de perfectionnement actif” or “Zollverschluss”) without application of any French or German tax or customs duty, and shall be Delivered At Place (DAP) according to the Incoterms, to the following shipping addresses:

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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AIRBUS OPERATIONS S.A.S.  
316 Route de Bayonne  
31300 TOULOUSE  
FRANCE

or

AIRBUS OPERATIONS GmbH  
Kreetslag 10  
21129 HAMBURG  
GERMANY

or such other location as may be agreed by the parties.

**18.1.6 Applicable Requirements**

The Buyer is responsible for ensuring, at its expense, and warrants that the BFE shall:

- be supplied by a qualified BFE Supplier, and
- meet the requirements of the applicable Specification of the Aircraft, and
- be, in the case of BFE Premium Class Seats and the related in-flight entertainment in-seat components, supplied by a qualified ACS Supplier, and
- be delivered with the relevant certification documentation, including but not limited to the DDP, and
- comply with the BFE Engineering Definition, and
- comply with applicable requirements incorporated by reference to the Type Certificate and listed in the Type Certificate Data Sheet, and
- be approved by the Aviation Authority issuing the Export Airworthiness Certificate and by the Buyer's Aviation Authority for installation and use on the Aircraft at the time of Delivery of the Aircraft.

The Seller shall be entitled to refuse any item of BFE (i) that is incompatible with the Specification, the BFE Engineering Definition or the certification requirements, or (ii) if the Seller is aware of any infringement of any patent, copyright or other intellectual property right of the Seller or any third party, or is aware that it is subject to any legal obligation or other encumbrance that could reasonably be expected to prevent, hinder or delay the installation of such BFE in the Aircraft and/or the Delivery of the Aircraft.





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As soon as the Seller or the Buyer is aware of any of the above problems with regard to the supply of any BFE, including but not limited to Buyers obligations identified in Clause 18.1.7 below, this shall be promptly notified to the other party. In such case and upon the Buyer’s request, the Seller may provide reasonable assistance to the Buyer, as may be reasonably required, to find an alternative solution.

At the Seller’s request, the Buyer shall assign to the Seller, and the Seller shall be subrogated to, all of the Buyer’s rights against the relevant BFE Supplier with respect to and arising by reason of such default and shall provide reasonable assistance to enable the Seller to enforce the rights so assigned.

**18.1.7 Buyer’s Obligation and Seller’s Remedies**

18.1.7.1 Any delay or failure by the Buyer or the BFE Suppliers in:

- complying with the foregoing warranty or in providing the BFE Supplier Data, BFE Engineering Definition or field service mentioned in Clause 18.1.2.2, or
- furnishing the BFE in a serviceable condition at the requested delivery date, or
- obtaining any required approval for such BFE equipment under the above mentioned Aviation Authorities’ regulations,
- providing BFE which does not infringe any patent, copyright or other intellectual property right of the Seller or any third party, and
- providing BFE which is not subject to any legal obligation or other encumbrance that may prevent, hinder or delay the installation of the BFE in the Aircraft and/or the Delivery of the Aircraft

may delay the performance of any act to be performed by the Seller, including Delivery of the Aircraft [\*\*\*], and cause the Final Price of the Aircraft to be adjusted [\*\*\*] failure by the Buyer or the BFE suppliers, such as storage, taxes, insurance and costs of out-of-sequence installation. [\*\*\*]

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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[\*\*\*]

18.1.7.2 In the event of any delay or failure mentioned in [\*\*\*] specified in the relevant Customization Milestone Chart, the Seller may:

- (i) select, purchase and install equipment similar to the BFE at issue, in which event the Final Price of the affected Aircraft shall also be increased by the purchase price of such equipment plus reasonable costs and expenses incurred by the Seller for handling charges, transportation, insurance, packaging and, if so required and not already provided for in the Final Price of the Aircraft, for adjustment and calibration; or
- (ii) deliver the Aircraft without the installation of such BFE, notwithstanding applicable terms of Clause 7, if any, and the Seller shall thereupon be relieved of all obligations to install such equipment.

**18.1.8 Title and Risk of Loss**

Title to and risk of loss of any BFE shall at all times remain with the Buyer except that risk of loss (limited to cost of replacement of said BFE [\*\*\*]) shall be with the Seller for as long as such BFE is under the care, custody and control of the Seller.

**18.1.9 Disposition of BFE Following Termination**

18.1.9.1 If a termination of this Agreement by the Seller pursuant to the provisions of Clause 20 occurs with respect to an Aircraft in which all or any part of the BFE has been installed prior to the date of such termination, the Seller shall be entitled, but not required, to remove all items of BFE that can be removed without damage to the Aircraft and to undertake commercially reasonable efforts to facilitate the sale of such items of BFE to other customers, retaining and applying the proceeds of such sales to reduce the Seller’s damages resulting from the termination.

18.1.9.2 The Buyer shall cooperate with the Seller in facilitating the sale of BFE pursuant to Clause 18.1.9.1 and shall be responsible for all costs [\*\*\*] incurred by the Seller in removing and facilitating the sale of such BFE. The Buyer [\*\*\*] of receiving documentation of such costs from the Seller.

18.1.9.3 The Seller shall notify the Buyer as to those items of BFE not sold by the Seller pursuant to Clause 18.1.9.1 above and, at the Seller’s request, the Buyer shall undertake to remove such items from the Seller’s facility within [\*\*\*] of the date of such notice. [\*\*\*] the Buyer shall have no claim against the Seller for damage, loss or destruction of any item of BFE removed from the Aircraft and not removed from Seller’s facility within such period.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- 18.1.9.4 The Buyer shall have no claim against the Seller for damage to or destruction of any item of BFE damaged or destroyed in the process of being removed from the Aircraft, provided that (i) the Seller used reasonable care in such removal [\*\*\*]
- 18.1.9.5 The Buyer shall grant the Seller title to any BFE items that cannot be removed from the Aircraft without causing damage to the Aircraft or rendering any system in the Aircraft unusable. [\*\*\*]

**18.2 Airbus Contracted Supplier Equipment**

**18.2.1 Administration**

In accordance with the Specification, the Seller shall install those items of equipment that are identified in the Specification as being ACS Equipment, provided that the ACS Equipment and the corresponding ACS Supplier of such ACS are referred to in the A350XWB Family Aircraft Description Document applicable at the time of the TCM (as defined in Clause 2.4.2).

**18.2.2 ACS Selection**

- 18.2.2.1 The Buyer shall select ACS Equipment and all associated features out of the options proposed by the Seller in the A350XWB Family ADD applicable at the time of customization. The definition of the selected ACS and its features shall be frozen prior to the Technical Coordination Meeting.
- 18.2.2.2 With respect to ACS seats, it is hereby agreed that any in-flight-entertainment (IFE) equipment to be incorporated into such ACS seats shall be exclusively ACS Catalogue Items.

**18.2.3 Meetings with ACS Suppliers**

The Seller shall be entitled to request the participation of the Buyer in the Seller’s meetings with ACS Suppliers, subject to reasonable prior notice.

The Buyer shall be entitled to request the participation of the Seller in the Buyer’s meetings with ACS Suppliers, subject to reasonable prior notice.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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UNQUOTE

**12. EXHIBIT A – SPECIFICATION**

Exhibit A and Appendix 1 to Exhibit A of the Agreement are hereby cancelled in their entirety and replaced with the provisions set out in Schedule 1 attached hereto.

**13. EXHIBIT B – FORM OF SPECIFICATION CHANGE NOTICE**

Exhibit B of the Agreement is hereby cancelled in its entirety and replaced with the provisions set out in Schedule 2 attached hereto.

**14. EXHIBIT C – AIRCRAFT PRICE REVISION FORMULA**

The words “Aircraft Base Price” in Exhibit C to the Agreement are hereby cancelled in each and every instance and replaced with the words “Aircraft Basic Price”.

**15. EXHIBIT I – LICENSES AND ON LINE SERVICES**

Part 5 and Part 6, as set out in Schedule 3 attached hereto, are hereby appended to Exhibit I of the Agreement.

**16. LETTER AGREEMENT N° 4 – CONVERSION RIGHTS**

The parties agree that Letter Agreement N° 4 to the Agreement is amended and restated in its entirety as the Amended and Restated Letter Agreement N° 4 dated as of even date herewith.

**17. LETTER AGREEMENT N° 10 – [\*\*\*]**

Clause 1.1 of Letter Agreement N° 10 is hereby deleted in its entirety and replaced with the following quoted provision:

QUOTE

[\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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[\*\*\*]

UNQUOTE

**18. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment N°2, the A350 XWB Purchase Agreement, its Exhibits and Letter Agreements (as amended from time to time) shall apply also to this Amendment N°2.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

This Amendment N°2 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein. This Amendment N°2 shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the A350 XWB Purchase Agreement.

In the event of any inconsistency between the A350 XWB Purchase Agreement and the present Amendment N°2, the latter shall prevail to the extent of said inconsistency.

Save to the extent expressly amended by the terms of this Amendment N°2, the A350 XWB Purchase Agreement shall remain in full force and effect, in accordance with its terms.

This Amendment N°2 (and its existence) shall be treated by each Party as confidential in accordance with the terms of Clause 22.10 of the Agreement.

This Amendment N°2 may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Amendment N°2.

**19. LAW AND JURISDICTION**

This Amendment N°2 shall be governed by and construed in accordance with the laws of France. Any dispute arising out of or in connection with this Amendment N°2 shall be within the exclusive jurisdiction of the Tribunal de Commerce of Paris.

**20. SEVERABILITY**

In the event that any provision of this Amendment N°2 should for any reason be held ineffective, the remainder of this Amendment N°2 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment N°2 prohibited or unenforceable in any respect. Any provisions of this Amendment N°2 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment N°2.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

This Amendment N°2 has been executed in two (2) original specimens which are in English.

**IN WITNESS WHEREOF** this Amendment N°2 to the A350 XWB Purchase Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name :  
Title :

Name :  
Title :

Name:  
Title

**Witness**

Name:  
Title:

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 1**

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EXHIBIT A

The following are contained in a separate CD-ROM:

- The A350XWB Family Aircraft Description Document.  
[\*\*\*]
- The A350-900 XWB Standard Specification.  
[\*\*\*]

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**  
**SCHEDULE 1** **Page 1 of 1**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**PROPRIETARY AND CONFIDENTIAL**

[\*\*\*]

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

[\*\*\*]

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**FORM 20-F**

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Page 1 of 1

**SCHEDULE 2**

**PROPRIETARY AND CONFIDENTIAL**

**EXHIBIT B**

**Exhibit B-1:** Form of a Specification Change Notice

**Exhibit B-2:** Form of a Manufacturer's Specification Change Notice

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**

**SCHEDULE 2 Exhibit B**

**Page 1 of 1**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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SCHEDULE 2

PROPRIETARY AND CONFIDENTIAL

EXHIBIT B-1



TAM - LINHAS AERAS

SPECIFICATION CHANGE NOTICE

SCN Number

(SCN)

Issue  
Dated  
Page

Title:

Description :

Effect on weight

Manufacturer's Weight Empty Change:

Operational Weight Empty Change:

Allowable Payload Change:

Remarks / References

RFC ...

Specification changed by this SCN

A350[\*\*\*/] / 900 / [\*\*\*/] XWB Aircraft Standard Specification Reference N° [ ]

Issue [ ] dated [ ]

This SCN requires prior or concurrent acceptance of the following SCN (s):

Price per aircraft

US DOLLARS:

AT DELIVERY CONDITIONS:

This change will be effective on AIRCRAFT N° and subsequent.

Provided approval is received by

**Buyer approval**

By :

Date:

**Seller approval**

By:

Date:

A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014

SCHEDULE 2 Exhibit B-1

Page 1 of 3

“[\*\*\*/]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**SCHEDULE 2**

**PROPRIETARY AND CONFIDENTIAL**

**EXHIBIT B-1**



**TAM - LINHAS AERAS**

**SPECIFICATION CHANGE NOTICE**

SCN Number  
Issue  
Dated  
Page

(SCN)

Specification repercussion:

After contractual agreement with respect to weight, performance, delivery, etc, the indicated part of the specification wording will read as follows:

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**  
**SCHEDULE 2 Exhibit B-1 Page 2 of 3**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**FORM 20-F**

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Page 1 of 1

**SCHEDULE 2**

**PROPRIETARY AND CONFIDENTIAL**

**EXHIBIT B-1**



For

**SPECIFICATION CHANGE NOTICE**

SCN Number

(SCN)

Issue

Dated

Page

Scope of change (FOR INFORMATION ONLY)

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**

**SCHEDULE 2 Exhibit B-1**

**Page 3 of 3**

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**SCHEDULE 2**

**PROPRIETARY AND CONFIDENTIAL**

**EXHIBIT B-2**



**TAM - LINHAS AERAS**

**MANUFACTURER'S SPECIFICATION  
CHANGE NOTICE**

MSCN Number  
Issue  
Dated  
Page

(MSCN)

**Title:**  
**Description:**

**Effect on weight:**

- Manufacturer's Weight Empty change :
- Operational Weight Empty change :
- Allowable Payload change :

**Remarks / References**

**Specification changed by this MSCN**

**Price per aircraft**

US DOLLARS:

AT DELIVERY CONDITIONS:

This change will be effective on \_\_\_\_\_ AIRCRAFT N° \_\_\_\_\_ and subsequent.

Provided MSCN is not rejected by

**Buyer approval**

**Seller approval**

By :  
Date :

By :  
Date :

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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**SCHEDULE 2**

**PROPRIETARY AND CONFIDENTIAL**

**EXHIBIT B-2**



**TAM - LINHAS AERAS**

**MANUFACTURER'S SPECIFICATION  
CHANGE NOTICE**

MSCN Number  
Issue  
Dated  
Page

(MSCN)

Specification repercussion:

After contractual agreement with respect to weight, performance, delivery, etc, the indicated part of the specification wording will read as follows:

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**

**SCHEDULE 2 Exhibit B-2**

**Page 2 of 3**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



SCHEDULE 2

PROPRIETARY AND CONFIDENTIAL

EXHIBIT B-2



TAM - LINHAS AERAS

MANUFACTURER'S SPECIFICATION  
CHANGE NOTICE

MSCN Number  
Issue  
Dated  
Page

(MSCN)

Specification repercussion:

Scope of change (FOR INFORMATION ONLY)

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**  
**SCHEDULE 2 Exhibit B-2 Page 3 of 3**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

**EXHIBIT I**

**LICENSES AND ON LINE SERVICES**

**Part 5 END-USER SUBLICENSE AGREEMENT FOR SUPPLIER SOFTWARE**

**Part 6 END-USER SUBLICENSE AGREEMENT FOR ACS SUPPLIER SOFTWARE**

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**

**SCHEDULE 3 Page 1 of 17**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

**PART 5**

**END-USER SUBLICENSE AGREEMENT FOR SUPPLIER SOFTWARE**

**1 DEFINITIONS**

For the purposes of this end-user sublicense agreement for Supplier Software (the “**Software Sublicense**”) the following definitions shall apply:

“**Agreement**” means the Purchase Agreement of even date herewith covering the purchase and sale of the Aircraft subject thereof.

“**Aircraft**” means, individually or collectively, the Aircraft subject of the Agreement.

“**Composite Work**” means the package composed of various elements, such as database(s), software or data, and which necessitates the use of the Supplier Software.

“**Permitted Purpose**” means use of the Supplier Software by the Sublicensee for its own internal business needs, solely in conjunction with the Aircraft and in particular pertaining to (i) operation of the Aircraft; (ii) on ground operational support of the Aircraft; or (iii) related authorized customization of software.

“**Sublicensee**” means the Buyer under the Agreement.

“**Sublicensor**” means the Seller under the Agreement as authorized by the Supplier to sublicense the Supplier Software to the operators of Airbus aircraft.

“**Supplier**” means each of the Sublicensor’s suppliers owning the intellectual property rights in the corresponding Supplier Software (or holding the right to authorize the Sublicensor to sublicense such Supplier Software) and having granted to the Sublicensor the right to sublicense such Supplier Software.

“**Supplier Product Support Agreement**” shall have the meaning set forth in Clause 12.3.1.3 of the Agreement.

“**Supplier Software**” means each of the Supplier’s proprietary products including Composite Work, configurations, processes, rules (together with any related documentation) as well as any modifications, enhancements or extensions thereto, as may be provided by the Supplier or the Sublicensor from time to time and the supply of which to the Sublicensee is governed by a Supplier Product Support Agreement. The Supplier Software shall be supplied in machine-readable code form only, for use in connection with the Aircraft or operations related to the Aircraft. For the avoidance of doubt, this Software Sublicense does not apply to (i) any software embedded in any component, furnishing or equipment installed on the Aircraft and itself bearing a

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

partnumber (ii) third party software not provided under a Supplier Product Support Agreement, including but not limited to any standard, “off the shelf” software (Components Off The Shelf/COTS) and (iii) open source software contained in the Supplier Software, if any, and it is hereby acknowledged and agreed by both parties hereto that such open source software is independently distributed on an “as is” basis under the respective license terms therefor, and that the Sublicensor disclaims any liability in relation to such open source software.

“**Update(s)**” means any update(s) or replacement(s) to the Supplier Software licensed hereunder, which the Sublicensor or the Supplier, at their discretion, make generally available to the Sublicensee.

“**User Guide**” means the documentation, which may be in electronic format, designed to assist the Sublicensee in using the Supplier Software.

Capitalized terms used herein and not otherwise defined in this Software Sublicense shall have the meaning assigned thereto in the Agreement.

**2 LICENSE**

In consideration of the purchase by the Sublicensee of the Aircraft, the Sublicensee is hereby [\*\*\*] worldwide and non-exclusive right to use the Supplier Software, for a Permitted Purpose. Each Supplier shall remain the owner of all intellectual property rights in the Supplier Software. There shall be one Software Sublicense granted in respect of each Aircraft purchased by the Sublicensee.

The Sublicensee hereby acknowledges that it is aware that certain Supplier Software subject of this Software Sublicense may incorporate some third party software or open source software components. The Sublicensee hereby agrees to be bound by the licensing terms and conditions applicable to such third party software and made available by the Sublicensor through AirbusWorld.

**3 ASSIGNMENT AND DELEGATION**

**3.1 Assignment**

The Sublicensee may, at any time, assign or otherwise transfer all or part of its rights under this Software Sublicense only as part of, and to the extent of, a sale, transfer or lease of any or all of the Aircraft to which the Supplier Software are related provided that the Sublicensee causes the assignee to agree to the terms of this Software Sublicense.

The Sublicensee shall assign a Software Sublicense for all Supplier Software installed on the sold, transferred or leased Aircraft and shall retain all other Software Sublicenses attached to any Aircraft that the Sublicensee continues to operate.

In the event of any such assignment or transfer, the Sublicensee shall transfer the copies of the Supplier Software attached to the sold, transferred or leased Aircraft (including all component parts, media, any upgrades or backup copies, this Software Sublicense, and if applicable, certificate(s) of authenticity), except as otherwise instructed by the Sublicensor.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

**3.2 Delegation**

Without prejudice to Article 10 hereof, in the event of the Sublicensee intending to designate a maintenance and repair organization or a third party to perform the maintenance of the Aircraft or to perform data processing on its behalf (each a **“Third Party”**), the Sublicensee shall notify the Sublicensor of such intention prior to any disclosure of this Software Sublicense and/or the Supplier Software to such Third Party.

The Sublicensee hereby undertakes to use reasonable endeavours to cause such Third Party to enter into appropriate licensing conditions with the corresponding Supplier and to commit to use the Supplier Software solely for the purpose of maintaining the Sublicensee’s Aircraft and/or processing the Sublicensee’s data.

**4 COPIES**

Use of the Supplier Software is limited to the number of copies delivered by the Sublicensor to the Sublicensee and to the medium on which the Supplier Software is delivered. No reproduction shall be made without the written consent of the Sublicensor, except that the Sublicensee is authorized to copy the Supplier Software for back-up and archiving purposes. Any copy the Sublicensor authorizes the Sublicensee to make shall be performed under the sole responsibility of the Sublicensee. The Sublicensee agrees to reproduce the copyright and other notices as they appear on or within the original media on any copies that the Sublicensee makes of the Supplier Software.

**5 TERM**

Subject to the Sublicensee having complied with the terms of this Software Sublicense, the rights under this Software Sublicense shall be [\*\*\*] by the Sublicensee or any of its assignees, or (ii) the Agreement, this Software Sublicense or any part thereof, being terminated for any reason whatsoever, in which case the Sublicensee shall immediately cease to use the affected Supplier Software upon the effective termination date.

**6 CONDITIONS OF USE**

The Supplier Software shall only be used for the Permitted Purpose.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

The Sublicensee shall be solely responsible for, and agrees to be careful in the use of, all outputs and results derived from the operation of the Supplier Software and all consequences, direct and indirect, relating to the use of such output and results. The Sublicensee agrees to use such outputs and results only once it has verified such outputs and results and has checked the relevance and correctness thereof, in the light of its particular needs.

The Sublicensee expressly acknowledges that it will take all appropriate precautions for the use of the Supplier Software, including without limitation measures required for its compliance with the User Guide or any information or directive regarding the use of the Supplier Software.

Under the present Software Sublicense, the Sublicensee shall:

- a) not permit any parent, subsidiary, affiliate, agent or other third party to use the Supplier Software in any manner, including, but not limited to, any outsourcing, loan, commercialization of the Supplier Software or commercialization by merging the Supplier Software into another software or adapting the Supplier Software, without the prior written consent from the Supplier;
- b) use reasonable endeavours to maintain the Supplier Software and the relating documentation in good working condition, in order to ensure the correct operation thereof;
- c) use the Supplier Software in accordance with such documentation and the User Guide, and ensure that the personnel using the Supplier Software has received appropriate training;
- d) use the Supplier Software exclusively in the technical environment defined in the applicable User Guide, except as otherwise agreed in writing between the parties;
- e) except as permitted by French law, not alter, reverse engineer, modify, correct, translate, disassemble, decompile or adapt the Supplier Software, nor integrate all or part of the Supplier Software in any manner whatsoever into another software product; nor create a software product derived from the Supplier Software save with the Supplier's prior written approval;
- f) should the Sublicensor or the Supplier have elected to provide the source code to the Sublicensee, have the right to study and test the Supplier Software, under conditions to be expressly specified by the Sublicensor, but in no event shall the Sublicensee have the right to correct, modify or translate the Supplier Software;
- g) not attempt to discover or re-write the Supplier Software source codes in any manner whatsoever;
- h) not delete any identification or declaration relative to the intellectual property rights, trademarks or any other information related to ownership or intellectual property rights in the Supplier Software;

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

- i) not pledge, sell, distribute, grant, sublicense, lease, lend, whether on a free-of-charge basis or against payment, or permit access on a time-sharing basis or any other utilization of the Supplier Software, whether in whole or in part, for the benefit of a third party;

**7 TRAINING**

In addition to the User Guide provided with the Supplier Software, training and other assistance shall be provided upon the Sublicensee's request, subject to conditions set forth in the Agreement. Such assistance or training shall not operate to relieve the Sublicensee of its sole responsibility with respect to the use of the Supplier Software under this Software Sublicense.

**8 PROPRIETARY RIGHTS—RIGHT TO CORRECT AND MODIFY**

- 8.1** The Supplier Software is proprietary to the Supplier and the Sublicensor represents and warrants that it has been granted the intellectual property rights necessary to grant this Software Sublicense. The copyright and all other proprietary rights in the Supplier Software are and shall remain the property of the Supplier.
- 8.2** The Supplier may correct or modify its Supplier Software from time to time at its sole discretion and the Sublicensee shall not undertake any correction or modification of the Supplier Software without the Sublicensor's prior written approval. The Sublicensee shall install any Updates provided either by the Supplier or the Sublicensor in accordance with the time schedule notified with the provision of such Update(s). In the event of the Sublicensee failing to install any such Update(s), both the Sublicensor and the Supplier shall be relieved of any warranty or liability of any kind with respect to the conformity or operation of the Supplier Software.

**9 COPYRIGHT INDEMNITY**

The Sublicensee hereby accepts the transfer to its benefit of all transferable and enforceable copyright indemnity conditions related to the corresponding Supplier Software and contained in the applicable Supplier Product Support Agreement.

**10 CONFIDENTIALITY**

The Supplier Software, this Software Sub-license and their contents are designated as confidential. The Sublicensee undertakes not to disclose the Software Sub-license, the Supplier Software or any parts thereof to any third party without the prior written consent of the Sublicensor, except to the lessee in case of lease of an Aircraft or to the buyer in case of resale of the Aircraft, without prejudice to any provisions set forth in the Agreement. In so far as it is necessary to disclose aspects of the Supplier Software to the Sublicensee's employees, such disclosure is permitted solely for the purpose for which the Supplier Software is supplied and only to those employees who need to know the same, save as permitted herein or where otherwise required pursuant to an enforceable court order or any governmental decision or regulatory provision imposed on the Sublicensee, provided that reasonable prior notice of the intended disclosure is provided to the Sublicensor.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

The obligations of the Sublicensee to maintain confidentiality shall survive the termination of this Software Sublicense for a period of ten (10) years.

**11 ACCEPTANCE**

Supplier Software shall be deemed accepted as part of the Technical Acceptance Process set out in Clause 8 of the Agreement.

**12 WARRANTY**

The Sublicensee hereby accepts the transfer to its benefit of all transferable and enforceable warranties related to the corresponding Supplier Software and contained in the applicable Supplier Product Support Agreement.

As a result, THE SUBLICENSEE acknowledges that the transferable and enforceable warranties, OBLIGATIONS and LIABILITIES contained in the Supplier Product Support Agreement shall constitute the sole and exclusive remedy available in the event of any defect or non-conformity of the Supplier Software.

Neither the Supplier nor the Sublicensor shall have any liability for data that is entered into the Supplier Software by the Sublicensee and/or used for computation purposes.

**13 LIABILITY AND INDEMNITY**

The Supplier Software is supplied under the express condition that neither the Supplier nor the Sublicensor shall have any liability in contract or in tort arising from or in connection with any use and/or possession by the Sublicensee of the Supplier Software not in accordance with this Software Sublicense, and that the Sublicensee shall indemnify and hold the Sublicensor and the Supplier harmless from and against any liabilities and claims from third parties arising from such use and/or possession which is not in accordance with this Software Sublicense.

**14 EXCUSABLE DELAYS**

**14.1** Neither the Sublicensor nor the Supplier(s) shall be responsible nor be deemed to be in default on account of delays in delivery of any Supplier Software or Updates due to causes reasonably beyond Sublicensor's or its suppliers' or subcontractors' (including the Supplier) control including but not limited to: natural disasters, fires, floods, explosions or earthquakes, epidemics or quarantine restrictions, serious accidents, total or constructive total loss, any act of the government of the country of the Sublicensee or the governments of the countries of Sublicensor or its subcontractors

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or its suppliers (including the Supplier), war, insurrections or riots, failure of transportation, communications or services, strikes or labor troubles causing cessation, slow down or interruption of services, inability after due and timely diligence to procure materials, accessories, equipment or parts, failure of a subcontractor or supplier (including the Supplier) to furnish materials, accessories, equipment or parts due to causes reasonably beyond such subcontractor's or supplier's (including the Supplier) control or failure of the Sublicensee or the Supplier to comply with its obligations arising out of the present Software Sublicense.

**14.2** The Sublicensor shall, and/or shall cause the Supplier to, as soon as practicable after becoming aware of any delay falling within the provisions of this Article, notify the Sublicensee of such delay and of the probable extent thereof and shall, subject to the conditions as hereinafter provided and as soon as practicable after the removal of the cause or causes for delay, resume delivery of the delayed Supplier Software or Update.

**15 TERMINATION**

In the event of breach of an obligation set forth in this Software Sublicense by either the Sublicensor or the Sublicensee, [\*\*\*] notifying the breach, the non-breaching party shall be entitled to terminate this Software Sublicense.

In the event of termination for any cause, the Sublicensee shall no longer have any right to use the Supplier Software and shall return to the Supplier all copies of the Supplier Software and any relating documentation together with an affidavit to that effect.

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**

**SCHEDULE 3**

**Page 8 of 17**

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**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

**16 GENERAL PROVISIONS**

- 16.1** This Software Sublicense is an Exhibit to the Agreement and integrally forms part thereof. As a result, any non-conflicting terms of the Agreement are deemed incorporated herein to the extent they are relevant in the context of this Software Sublicense.
- 16.2** Notwithstanding the terms of Clause 22.10 of the Agreement, in the event of any inconsistency or discrepancy between any term of this Software Sublicense and any term of the Agreement (including any Appendix or other Exhibits thereto), the terms of this Software Sublicense shall take precedence over the conflicting terms of the Agreement to the extent necessary to resolve such inconsistency or discrepancy.
- 16.3** The Sublicensee acknowledges that the Supplier Software covered under the present Sub-license Agreement is also subject to the conditions relative to each Supplier Software set forth in the corresponding Supplier Product Support Agreement. In the event of any inconsistency between the terms of this Sub-license Agreement and the terms contained in the corresponding Supplier Product Support Agreement, the latter shall prevail to the extent of such inconsistency.

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**SCHEDULE 3** **Page 9 of 17**

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SCHEDULE 3

PROPRIETARY AND CONFIDENTIAL

PART 6

END-USER SUBLICENSE AGREEMENT FOR ACS SUPPLIER SOFTWARE

1. DEFINITIONS

For the purposes of this end-user sublicense agreement for ACS Supplier Software (the “ACS Software Sublicense”) the following definitions shall apply:

“Agreement” means the Purchase Agreement of even date herewith covering the purchase and sale of the Aircraft subject thereof.

“Aircraft” means, individually or collectively, the Aircraft subject of the Agreement.

“Composite Work” means the package composed of various elements, such as database(s), software or data, and which necessitates the use of the ACS Supplier Software.

“Permitted Purpose” means use of the ACS Supplier Software by the ACS Sublicensee for its own internal business needs, solely in conjunction with the Aircraft and in particular pertaining to (i) operation of the Aircraft; (ii) on ground operational support of the Aircraft; or (iii) related authorized customization of software.

“ACS Sublicensee” means the Buyer under the Agreement.

“ACS Sublicensor” means the Seller under the Agreement as authorized by the ACS Supplier to sublicense the ACS Supplier Software to the operators of Airbus aircraft.

“ACS Supplier” means each of the Sublicensor’s suppliers owning the intellectual property rights in the corresponding ACS Supplier Software (or holding the right to authorize the Sublicensor to sublicense such ACS Supplier Software) and having granted to the Sublicensor the right to sublicense such ACS Supplier Software.

“Airbus Contracted Suppliers Support Agreement” shall have the meaning set forth in Clause 12.3.2.1.4 of the Agreement.

“ACS Supplier Software” means each of the ACS Supplier’s proprietary products including Composite Work, configurations, processes, rules (together with any related documentation) as well as any modifications, enhancements or extensions thereto, as may be provided by the ACS Supplier or the ACS Sublicensor from time to time and the supply of which to the ACS Sublicensee is governed by a Airbus Contracted Suppliers Support Agreement. The ACS Supplier Software shall be supplied in machine readable code form only, for use in connection with the Aircraft or operations related to the Aircraft. For the avoidance of doubt, this ACS Software Sublicense does not apply to (i) any software embedded in any component, furnishing or equipment installed on the Aircraft and itself bearing a partnumber (ii) third party software not provided under a Airbus Contracted Suppliers Support Agreement, including but not limited to any standard, “off the shelf” software (Components Off The Shelf/COTS) and (iii) open source software contained in the ACS Supplier Software, if any, and it is

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**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

- i) not pledge, sell, distribute, grant, sublicense, lease, lend, whether on a free-of-charge basis or against payment, or permit access on a time-sharing basis or any other utilization of the ACS Supplier Software, whether in whole or in part, for the benefit of a third party;

**7. TRAINING**

In addition to the User Guide provided with the ACS Supplier Software, training and other assistance shall be provided upon the ACS Sublicensee's request, subject to conditions set forth in the Agreement. Such assistance or training shall not operate to relieve the ACS Sublicensee of its sole responsibility with respect to the use of the ACS Supplier Software under this ACS Software Sublicense.

**8. PROPRIETARY RIGHTS - RIGHT TO CORRECT AND MODIFY**

- 8.1** The ACS Supplier Software is proprietary to the ACS Supplier and the ACS Sublicensor represents and warrants that it has been granted the intellectual property rights necessary to grant this ACS Software Sublicense. The copyright and all other proprietary rights in the ACS Supplier Software are and shall remain the property of the ACS Supplier.
- 8.2** The ACS Supplier may correct or modify its ACS Supplier Software from time to time at its sole discretion and the ACS Sublicensee shall not undertake any correction or modification of the ACS Supplier Software without the ACS Sublicensor's prior written approval. The ACS Sublicensee shall install any Updates provided either by the ACS Supplier or the ACS Sublicensor in accordance with the time schedule notified with the provision of such Update(s). In the event of the ACS Sublicensee failing to install any such Update(s), both the ACS Sublicensor and the ACS Supplier shall be relieved of any warranty or liability of any kind with respect to the conformity or operation of the ACS Supplier Software.

**9. COPYRIGHT INDEMNITY**

The ACS Sublicensee hereby accepts the transfer to its benefit of all transferable and enforceable copyright indemnity conditions related to the corresponding ACS Supplier Software and contained in the applicable Airbus Contracted Suppliers Support Agreements.

**10. CONFIDENTIALITY**

The ACS Supplier Software, this ACS Software Sub-license and their contents are designated as confidential. The ACS Sublicensee undertakes not to disclose the ACS Software Sublicense, the ACS Supplier Software or any parts thereof to any third party without the prior written consent of the ACS Sublicensor, except to the lessee in case of lease of an Aircraft or to the buyer in case of resale of the Aircraft, without prejudice to any provisions set forth in the Agreement. In so far as it is necessary to disclose

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**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

aspects of the ACS Supplier Software to the ACS Sublicensee’s employees, such disclosure is permitted solely for the purpose for which the ACS Supplier Software is supplied and only to those employees who need to know the same, save as permitted herein or where otherwise required pursuant to an enforceable court order or any governmental decision or regulatory provision imposed on the ACS Sublicensee, provided that reasonable prior notice of the intended disclosure is provided to the ACS Sublicensor.

The obligations of the ACS Sublicensee to maintain confidentiality shall survive the termination of this ACS Software Sublicense for a period of ten (10) years.

**11. ACCEPTANCE**

ACS Supplier Software shall be deemed accepted as part of the Technical Acceptance Process set out in Clause 8 of the Agreement.

**12. WARRANTY**

The ACS Sublicensee hereby accepts the transfer to its benefit of all transferable and enforceable warranties related to the corresponding ACS Supplier Software and contained in the applicable Airbus Contracted Suppliers Support Agreements.

As a result, THE ACS SUBLICENSEE acknowledges that the transferable and enforceable warranties, OBLIGATIONS and LIABILITIES contained in the AIRBUS CONTRACTED SUPPLIERS Support Agreements shall constitute the sole and exclusive remedy available in the event of any defect or non-conformity of the ACS Supplier Software.

Neither the ACS Supplier nor the ACS Sublicensor shall have any liability for data that is entered into the ACS Supplier Software by the ACS Sublicensee and/or used for computation purposes.

**13. LIABILITY AND INDEMNITY**

The ACS Supplier Software is supplied under the express condition that neither the ACS Supplier nor the ACS Sublicensor shall have any liability in contract or in tort arising from or in connection with any use and/or possession by the ACS Sublicensee of the ACS Supplier Software not in accordance with this ACS Software Sublicense, and that the ACS Sublicensee shall indemnify and hold the ACS Sublicensor and the ACS Supplier harmless from and against any liabilities and claims from third parties arising from such use and/or possession which is not in accordance with this ACS Software Sublicense.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

**14. EXCUSABLE DELAYS**

**14.1** Neither the ACS Sublicensor nor the ACS Supplier(s) shall be responsible nor be deemed to be in default on account of delays in delivery of any ACS Supplier Software or Updates due to causes reasonably beyond ACS Sublicensor's or its suppliers' or subcontractors' (including the ACS Supplier) control including but not limited to: natural disasters, fires, floods, explosions or earthquakes, epidemics or quarantine restrictions, serious accidents, total or constructive total loss, any act of the government of the country of the ACS Sublicensee or the governments of the countries of ACS Sublicensor or its subcontractors or its suppliers (including the ACS Supplier), war, insurrections or riots, failure of transportation, communications or services, strikes or labor troubles causing cessation, slow down or interruption of services, inability after due and timely diligence to procure materials, accessories, equipment or parts, failure of a subcontractor or supplier (including the ACS Supplier) to furnish materials, accessories, equipment or parts due to causes reasonably beyond such subcontractor's or supplier's (including the ACS Supplier) control or failure of the ACS Sublicensee or the ACS Supplier to comply with its obligations arising out of the present ACS Software Sublicense.

**14.2** The ACS Sublicensor shall, and/or shall cause the ACS Supplier to, as soon as practicable after becoming aware of any delay falling within the provisions of this Article, notify the ACS Sublicensee of such delay and of the probable extent thereof and shall, subject to the conditions as hereinafter provided and as soon as practicable after the removal of the cause or causes for delay, resume delivery of the delayed ACS Supplier Software or Update.

**15. TERMINATION**

In the event of breach of an obligation set forth in this ACS Software Sublicense by either the ACS Sublicensor or the ACS Sublicensee, [\*\*\*] notifying the breach, the non-breaching party shall be entitled to terminate this ACS Software Sublicense.

In the event of termination for any cause, the ACS Sublicensee shall no longer have any right to use the ACS Supplier Software and shall return to the ACS Supplier all copies of the ACS Supplier Software and any relating documentation together with an affidavit to that effect.

**16. GENERAL PROVISIONS**

**16.1** This ACS Software Sublicense is an Exhibit to the Agreement and integrally forms part thereof. As a result, any non-conflicting terms of the Agreement are deemed incorporated herein to the extent they are relevant in the context of this ACS Software Sublicense.

**16.2** In the event of any inconsistency or discrepancy between any term of this ACS Software Sublicense and any term of the Agreement (including any Appendix or other Exhibits thereto), the terms of this ACS Software Sublicense shall take precedence over the conflicting terms of the Agreement to the extent necessary to resolve such inconsistency or discrepancy.

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**SCHEDULE 3**

**PROPRIETARY AND CONFIDENTIAL**

**16.3** The ACS Sublicensee acknowledges that the ACS Supplier Software covered under the present ACS Software Sublicense is also subject to the conditions relative to each ACS Supplier Software set forth in the corresponding Airbus Contracted Suppliers Support Agreements. In the event of any inconsistency between the terms of this ACS Sublicense Agreement and the terms contained in the corresponding Airbus Contracted Suppliers Support Agreement, the latter shall prevail to the extent of such inconsistency.

**A350 XWB PA – TAM – AMDT. 2 – D10013836-7/2014**  
**SCHEDULE 3** **Page 17 of 17**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**LETTER AGREEMENT N° 1**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

July 15, 2014

**TAM - LINHAS AEREAS S.A.**

Avenida Jurandir, 856, 2° andar, Lote 4,  
CEP 04072 - 000, Jardim CECI,  
SAO PAULO - SP,  
BRAZIL

Subject : **SPECIAL CONDITIONS**

**TAM - LINHAS AEREAS S.A.** (the “Buyer”) and **AIRBUS S.A.S.** (the “Seller”) have entered into an Amendment No.1 dated July 28, 2010 (“**Amendment No. 1**”) and Amendment No. 2 dated as of even date herewith (“**Amendment No. 2**”) relating to an A350 XWB Purchase Agreement dated 20 December 2005, as amended and restated on 21 January 2008, as amended, supplemented or otherwise modified to and including the date hereof (the “**A350 XWB Purchase Agreement**” or the “**Agreement**”) which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the A350 XWB Aircraft as described in the Agreement.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the A350 XWB Purchase Agreement.

Both parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, non-severable part of the A350 XWB Purchase Agreement and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 1 to Amendment N° 2 -Page 1/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 1**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

1. [\*\*\*]
2. **Aircraft Price Revision Formula**
- 2.1 [\*\*\*]
3. [\*\*\*] **Predelivery Payments**  
[\*\*\*]
4. [\*\*\*]

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**  
**- Letter Agreement N° 1 to Amendment N° 2 -Page 2/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 1**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

[\*\*\*]

5. [\*\*\*]

**6. Non-Excusable Delay**

In respect of the [\*\*\*], with a Scheduled Delivery [\*\*\*] of the Agreement, as amended by Letter Agreement N° 12, is deleted in its entirety and replaced with the following:

QUOTE

**11.1 [\*\*\*]**

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 1 to Amendment N° 2 -Page 3/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LETTER AGREEMENT N° 1**

to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

[\*\*\*]

UNQUOTE

7. [\*\*\*]

8. [\*\*\*]

**8.1 Clause 2.2 of Letter Agreement No 14 is hereby deleted in its entirety and replaced with the words “Intentionally left blank”.**

8.2 [\*\*\*]

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 1 to Amendment N° 2 -Page 4/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 1**

to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

[\*\*\*]

**9. Assignment**

Notwithstanding any other provision of this Letter Agreement or of the A350 XWB Purchase Agreement, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

**10. Confidentiality**

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the A350 XWB Purchase Agreement.

**11. Law and Jurisdiction**

This Letter Agreement shall be governed by and construed in accordance with the laws of France. Any dispute arising out of or in connection with this Letter Agreement shall be within the exclusive jurisdiction of the Tribunal de Commerce of Paris.

**12. Severability**

In the event that any provision of this Letter Agreement should for any reason be held ineffective, the remainder of this Letter Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Letter Agreement prohibited or unenforceable in any respect. Any provisions of this Letter Agreement which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Letter Agreement.

**13. Alterations to Contract**

This Letter Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Letter Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 1 to Amendment N° 2 -Page 5/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 1**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

If the foregoing correctly sets forth our understanding, please execute two (2) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

Name:

Title:

Date:

Name:

Title:

Date:

**Witness**

Name:

Title:

Date:

Agreed and Accepted

For and on behalf of

**AIRBUS S.A.S.**

Name:

Title:

Date:

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 1 to Amendment N° 2 -Page 6/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**Schedule 1**  
**LETTER AGREEMENT N° 1**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**  
**- Letter Agreement N° 1 to Amendment N° 2 -Page 7/7**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 2**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

July 15, 2014

**TAM - LINHAS AEREAS S.A.**  
Avenida Jurandir, 856, 2° andar, Lote 4,  
CEP 04072 - 000, Jardim CECI,  
SAO PAULO - SP,  
BRAZIL

Subject : **SPECIFICATION MATTERS**

**TAM - LINHAS AEREAS S.A.** (the “Buyer”) and **AIRBUS S.A.S.** (the “Seller”) have entered into an Amendment No.1 dated July 28, 2010 (“**Amendment No. 1**”) and Amendment No. 2 dated as of even date herewith (“**Amendment No. 2**”) relating to an A350 XWB Purchase Agreement dated 20 December 2005, as amended and restated on 21 January 2008, as amended, supplemented or otherwise modified to and including the date hereof (the “**A350 XWB Purchase Agreement**” or the “**Agreement**”) which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the A350 XWB Aircraft as described in the Agreement.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the A350 XWB Purchase Agreement.

Both parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, non-severable part of the A350 XWB Purchase Agreement and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**  
**- Letter Agreement N° 2 to Amendment N° 2 -Page 1/6**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**LETTER AGREEMENT N° 2**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

1. MSCN [\*\*\*]
2. [\*\*\*]

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**  
**- Letter Agreement N° 1 to Amendment N° 2 -Page 2/6**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 2**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

**3. Branding of ACS Equipment**

Should the Buyer wish to incorporate specific branding features (options and/or trim and finish) (hereinafter “**Branding Features**”) into ACS Equipment, the Buyer shall inform the Seller thereof in due time and the Seller and the corresponding ACS Supplier shall conduct a feasibility study of the Buyer’s request, [\*\*\*]. It is understood between the parties that, irrespective of any other consideration, the request shall only be accepted if it is compatible with:

[\*\*\*]

if relevant, enter into an SCN as set forth in Clause 2.2.1 setting out the impact of the Branding Features on, inter alia, the Specification and/or price of the Aircraft.

**4. ADD Offering**

The Buyer acknowledges the A350XWB program is as of the date hereof in a period of design and product development, and the Seller intends to make enhancements to (i) the Basic ADD and/or Standard Specification and (ii) the A350XWB options and features available to the Buyer. Furthermore, [\*\*\*]

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 2 to Amendment N° 2 -Page 3/6**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 2**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

5. [\*\*\*]

6. [\*\*\*]

Paragraph 2.1 of Letter Agreement No.14 is hereby amended by adding the following quoted provisions immediately after the last sentence:

QUOTE

[\*\*\*]

UNQUOTE

7. [\*\*\*]

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 2 to Amendment N° 2 -Page 4/6**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 2**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

**8. Assignment**

Notwithstanding any other provision of this Letter Agreement or of the A350 XWB Purchase Agreement, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

**9. Confidentiality**

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the A350 XWB Purchase Agreement.

**10. Law and Jurisdiction**

This Letter Agreement shall be governed by and construed in accordance with the laws of France. Any dispute arising out of or in connection with this Letter Agreement shall be within the exclusive jurisdiction of the Tribunal de Commerce of Paris.

**11. Severability**

In the event that any provision of this Letter Agreement should for any reason be held ineffective, the remainder of this Letter Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Letter Agreement prohibited or unenforceable in any respect. Any provisions of this Letter Agreement which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Letter Agreement.

**12. Alterations to Contract**

This Letter Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Letter Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**

**- Letter Agreement N° 2 to Amendment N° 2 -Page 5/6**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**LETTER AGREEMENT N° 2**  
to Amendment N° 2

**PROPRIETARY AND CONFIDENTIAL**

If the foregoing correctly sets forth our understanding, please execute two (2) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted  
For and on behalf of  
**TAM - LINHAS AEREAS S.A.**

Agreed and Accepted  
For and on behalf of  
**AIRBUS S.A.S.**

Name:  
Title:  
Date:

Name:  
Title:  
Date:

Name:  
Title:  
Date:

**Witness**

Name:  
Title:  
Date:

**A350 XWB PA – TAM – AMDT 2 – D10013836-7/2014**  
**- Letter Agreement N° 2 to Amendment N° 2 -Page 6/6**

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**PROPRIETARY AND CONFIDENTIAL**

**AMENDMENT N°3  
TO THE  
A350 XWB PURCHASE AGREEMENT  
BETWEEN  
AIRBUS S.A.S.  
as Seller  
AND  
LATAM AIRLINES GROUP S.A.  
as Buyer  
REF: D10013836**

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

Page 1 of 14

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**AMENDMENT N°3  
TO THE  
A350 XWB PURCHASE AGREEMENT**

This Amendment N°3 is made as of the 30<sup>th</sup> day of October 2014,

Between

**AIRBUS S.A.S.**, having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse *Register du Commerce et des Sociétés* under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

**LATAM AIRLINES GROUP S.A.**, having its principal office at:

Edificio Huidobro  
Avenida Presidente Riesco 5711 – 20th Floor  
Las Condes  
SANTIAGO

CHILE

(herein after referred to as “**the Buyer**”) of the other part.

The Seller and the Buyer are hereinafter referred together as the “**Parties**” or each as a “**Party**”

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

Page 2 of 14

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**WHEREAS**

- A- The Seller and TAM Linhas Aereas S.A. (the “**Original Buyer**”) have signed on 20 December 2005 (as amended and restated on 21 January 2008) an A350 XWB Purchase Agreement (Reference CSC.337.0179/07) relating to the purchase by the Original Buyer and the sale by the Seller of certain A350 XWB aircraft as amended pursuant to an amendment N° 1 dated 28 July 2010 (“**Amendment N° 1**”) and an amendment N° 2 dated 15 July 2014 (“**Amendment N° 2**”) which, together with all Exhibits, Appendixes and Letter Agreements, is hereinafter referred to as the “**Agreement**”.
- B- The Buyer, Seller and Original Buyer entered into a novation agreement dated 21 July 2014 (the “**Novation**”) novating the Agreement from the Original Buyer to the Buyer (the Agreement as novated pursuant to the Novation is hereinafter referred to as the “**A350 XWB Purchase Agreement**”).
- C- The Buyer and the Seller now wish to enter into this Amendment N° 3 (“**Amendment N° 3**”) to [\*\*\*]  
certain A350-900XWB Aircraft.

**NOW THEREFORE IT IS AGREED AS FOLLOWS:**

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

Page 3 of 14

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





1. SCOPE

The scope of this Amendment N° 3 is:

- (i) the amendment of the Delivery Schedule of a certain A350-900 XWB Aircraft, and
- (ii) the amendment of the governing law and jurisdiction provisions.

2. CAC ID NUMBERS

2.1 The CAC ID numbers of each Aircraft as set forth in Clause 9 of the Agreement (“Old CACID”) are changed to New CACID numbers (“New CACID”) as set forth in Exhibit A to this Amendment.

2.2 Amendment No. 1 Revisions

2.2.1 Clause 2.3 of Amendment N° 1 to the Agreement, as replaced by Clause 2.4.1 of Amendment N° 2 to the Agreement, is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

|               |       |                          |       |
|---------------|-------|--------------------------|-------|
| 2.3 A350 XWB  | [***] | Delivery Dates           |       |
| The A350 XWB  | [***] | shall have the following |       |
| CACID numbers | [***] |                          |       |
| A350 XWB      | [***] | CACID                    | [***] |
| A350 XWB      | [***] | No. 1: 10021108          | [***] |
| A350 XWB      | [***] | No. 2: 10021109          | [***] |
| A350 XWB      | [***] | No. 3: 10021110          | [***] |
| A350 XWB      | [***] | No. 4: 10021111          | [***] |
| A350 XWB      | [***] | No. 5: 10021112          | [***] |

UNQUOTE

2.2.2 Clause 3 of Amendment N° 1 to the Agreement, as replaced by Clause 2.4.2 of Amendment N° 2 to the Agreement, is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**3. A350XWB AIRCRAFT [\*\*\*]**

Subject to the terms and conditions of this Amendment No 1, the Buyer hereby exercises its rights under Letter Agreement N° 4 to the Agreement, ‘ [\*\*\*] ’ certain A350 XWB Aircraft as follows:

|                |                                   |              |
|----------------|-----------------------------------|--------------|
| Aircraft CACID | [***]                             | [***]        |
| 10021113       | [***]                             | A350-900 XWB |
| 10021114       | [***]                             | A350-900 XWB |
| Each [***]     | A350-900 XWB shall be referred to |              |
| as the [***]   |                                   |              |

The Buyer and the Seller agree that [\*\*\*]

UNQUOTE

**2.3 Amendment No. 2 Revisions**

Clause 2.1 of Amendment N° 2 to the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

2.1 The Parties have agreed to \_\_\_\_\_ of the Aircraft identified by CAC ID numbers 10021100, 10021101, 10021102, 10021103, 10021104, 10021105, 10021106, 10021107, 10021098 and 10021099 (the [\*\*\*] ) as follows:

| <u>CAC ID</u> | <u>[***] Scheduled Delivery Quarter</u> | <u>[***] Scheduled Delivery Quarter</u> | <u>Aircraft Type</u> |
|---------------|---|---|----------------------|
| 10021100      | 2 <sup>nd</sup> Quarter 2014            | [***]                                   | A350-900             |
| 10021101      | 2 <sup>nd</sup> Quarter 2014            | [***]                                   | A350-900             |
| 10021102      | 4 <sup>th</sup> Quarter 2014            | [***]                                   | A350-900             |
| 10021103      | [***] 2015                              | [***]                                   | A350-900             |
| 10021104      | [***]                                   | [***]                                   | A350-900             |
| 10021105      | [***]                                   | [***]                                   | A350-900             |
| 10021106      | [***]                                   | [***]                                   | A350-900             |
| 10021107      | [***]                                   | [***] 2019                              | A350-900             |
| 10021098      | [***]                                   | [***]                                   | A350-900             |
| 10021099      | [***]                                   | [***]                                   | A350-900             |

[\*\*\*]



[\*\*\*]

UNQUOTE

2.4 Letter Agreement N° 11 Revisions

Clause 5.3.1.1 of the Agreement, as amended by Letter Agreement N°11, and as further amended by Clause 5 of Amendment No 2 to the Agreement, is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE

5.3.1.1

[\*\*\*]

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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[\*\*\*]

- Aircraft identified by CAC ID 10021098 [\*\*\*]
- Aircraft identified by CAC ID 10021099 [\*\*\*]
- Aircraft identified by CAC ID 10021100 [\*\*\*]
- Aircraft identified by CAC ID 10021101 [\*\*\*]
- Aircraft identified by CAC ID 10021102 [\*\*\*]
- Aircraft identified by CAC ID 10021103 [\*\*\*]
- Aircraft identified by CAC ID 10021104 [\*\*\*]
- Aircraft identified by CAC ID 10021105 [\*\*\*]
- Aircraft identified by CAC ID 10021106 [\*\*\*]
- Aircraft identified by CAC ID 10021107 [\*\*\*]

UNQUOTE

2.5 Letter Agreement N° 1 to Amendment N° 2 Revisions

2.5.1 Clause 1 of Letter Agreement N° 1 to Amendment N° 2 to the Agreement is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE

- 1. [\*\*\*]

UNQUOTE

2.5.2 Clause 2.1 of Letter Agreement No 1 to Amendment No 2 to the Agreement is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE

- 2.1 [\*\*\*]

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



[\*\*\*]

UNQUOTE

2.5.3 Clause 3 of Letter Agreement N° 1 to Amendment N° 2 to the Agreement is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE

3. [\*\*\*]

UNQUOTE

2.5.4 Schedule 1 to Letter Agreement N° 1 to Amendment N° 2 to the Agreement is hereby cancelled in its entirety and replaced by the provisions contained in Exhibit B attached hereto.

2.5.5 Clause 11.1 of the Agreement, as amended by Letter Agreement No 12 to the Agreement and Letter Agreement No 1 to Amendment No 2 to the Agreement, is hereby amended by deleting the reference to the CAC ID number “210201” and replacing it with the CAC ID number “10021100”.

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

Page 8 of 14

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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2.6 Amended and Restated Letter Agreement No 4 Revisions

Clause 1.1 of Amended and Restated Letter Agreement No 4 to the Agreement is hereby cancelled in its entirety and replaced with the following quoted provisions:

QUOTE

1.1. [\*\*\*]

UNQUOTE

3. AIRCRAFT [\*\*\*]

3.1 [\*\*\*]

3.2 [\*\*\*]

| <u>Aircraft Rank</u> | <u>[***]</u> | <u>Aircraft Type</u> | <u>Delivery Date</u> |
|----------------------|--------------|----------------------|----------------------|
| Aircraft N° 1        | [***]        | A350-900 XWB         | [***]                |
| Aircraft N° 2        | [***]        | A350-900 XWB         | [***]                |
| Aircraft N° 3        | [***]        | A350-900 XWB         | [***]                |
| Aircraft N° 4        | [***]        | A350-900 XWB         | [***]                |

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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|                |     |              |     |
|----------------|-----|--------------|-----|
| Aircraft N° 5  | *** | A350-900 XWB | *** |
| Aircraft N° 6  | *** | A350-900 XWB | *** |
| Aircraft N° 7  | *** | A350-900 XWB | *** |
| Aircraft N° 8  | *** | A350-900 XWB | *** |
| Aircraft N° 9  | *** | A350-900 XWB | *** |
| Aircraft N° 10 | *** | A350-900 XWB | *** |
| Aircraft N° 11 | *** | A350-900 XWB | *** |
| Aircraft N° 12 | *** | A350-900 XWB | *** |
| Aircraft N° 13 | *** | A350-900 XWB | *** |
| Aircraft N° 14 | *** | A350-900 XWB | *** |
| Aircraft N° 15 | *** | A350-900 XWB | *** |
| Aircraft N° 16 | *** | A350-900 XWB | *** |
| Aircraft N° 17 | *** | A350-900 XWB | *** |
| Aircraft N° 18 | *** | A350-900 XWB | *** |
| Aircraft N° 19 | *** | A350-900 XWB | *** |
| Aircraft N° 20 | *** | A350-900 XWB | *** |
| Aircraft N° 21 | *** | A350-900 XWB | *** |
| Aircraft N° 22 | *** | A350-900 XWB | *** |
| Aircraft N° 23 | *** | A350-900 XWB | *** |
| Aircraft N° 24 | *** | A350-900 XWB | *** |
| Aircraft N° 25 | *** | A350-900 XWB | *** |
| Aircraft N° 26 | *** | A350-900 XWB | *** |
| Aircraft N° 27 | *** | A350-900 XWB | *** |

**4. CHANGE OF LAW**

4.1 The Buyer and the Seller agree to Delete Clause 22.4 of the Agreement in its entirety and to replace it with the following quoted provisions:

QUOTE

22.4 Law and Jurisdiction

22.4.1 This Agreement shall be governed by and construed in accordance with the laws of England.

22.4.2 Any dispute arising out of or in connection with this Agreement shall be within the exclusive jurisdiction of the Courts of England.

UNQUOTE

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“\*\*\*” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



4.2 Notwithstanding the provisions set out in Clause 4.1 of this Amendment No. 3, the Parties hereby agree to amend the following Clauses of the Agreement (as such Clauses may have been amended from time to time):

(i) Definitions

The following definition shall be added to the Clause 0 to the Agreement which sets forth the definition and interpretation of capitalized terms and conditions:

**Gross Negligence** means any act or omission done with intent to cause damage or recklessly and with knowledge that damage would probably result.

(ii) in line 1 of Clauses 19.1.1, 19.1.2, 19.2.1, 19.3.1 and 19.3.2 delete the phrase “gross negligence or wilful misconduct” and replace it with the words “Gross Negligence”;

(iii) delete Clause 5.3.3 to the Agreement and replaced it with the following quoted provision:

QUOTE

5.3.3 [\*\*\*]

UNQUOTE

(iv) delete Clause 11.4 in its entirety and replace it with the following quoted provision:

QUOTE

11.4 [\*\*\*]

UNQUOTE

(v) delete the Clause 12.7(i) in its entirety and replace it with the following quoted provision:

QUOTE

[\*\*\*]

UNQUOTE

(vi) add a new Clause 22.5 to the Agreement as follows:

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





QUOTE

**22.5 Contracts (Rights of Third Parties) Act 1999**

The Buyer and the Seller do not intend that any term of this Agreement shall be enforceable solely by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Agreement.

The Buyer and the Seller may rescind, vary, waive, release, assign, novate or otherwise dispose of all or any of their respective rights or obligations under this Agreement in accordance with the terms hereof without the consent of any person who is not party to this Agreement.

UNQUOTE

As a result of the addition of the new Clause 22.5, the previous Clause 22.5 entitled **International Supply Contract** shall be renumbered to Clause 22.6 and all subsequent sub-Clauses in Clause 22 to the Agreement shall be renumbered accordingly.

**5. NOTICES**

The Buyer's address for notices contained in Clause 22.2 of the A350 XWB Purchase Agreement is hereby cancelled and replaced with the following:

LATAM Airlines Group S.A.  
Edificio Huidobro  
Avenida Presidente Riesco 5711 – 20th Floor  
Las Condes, Santiago  
Chile  
Attn. to Fleet and Engines Vice President  
[\*\*\*]

**6. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment N°3, the A350 XWB Purchase Agreement, its Exhibits, Appendixes and Letter Agreements (as amended from time to time) shall apply also to this Amendment N°3.

This Amendment N°3 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein. This Amendment N°3 shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the A350 XWB Purchase Agreement.

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



In the event of any inconsistency between the A350 XWB Purchase Agreement and this Amendment N°3, the latter shall prevail to the extent of said inconsistency.

Save to the extent expressly amended by the terms of this Amendment N°3, the A350 XWB Purchase Agreement shall remain in full force and effect in accordance with its terms.

This Amendment N°3 (and its existence) shall be treated by each Party as confidential in accordance with the terms of Clause 22.10 of the A350 XWB Purchase Agreement.

This Amendment N°3 may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Amendment N°3.

## 7. LAW AND JURISDICTION

This Amendment N°3 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment N°3 shall be within the exclusive jurisdiction of the Courts of England.

## 8. SEVERABILITY

In the event that any provision of this Amendment N°3 should for any reason be held ineffective, the remainder of this Amendment N°3 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment N°3 prohibited or unenforceable in any respect. Any provisions of this Amendment N°3 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment N°3.

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



This Amendment N°3 has been executed in two (2) original specimens which are in English.

**IN WITNESS WHEREOF** this Amendment N°3 to the A350 XWB Purchase Agreement was duly entered into the day and year first above written.

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

Name:

Title:

Name:

Title:

**Witness**

Name:

Title:

A350 XWB PA – LATAM – AMDT. 3 – D10013836 - 10/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT A

to Amendment N° 3

| <u>***] CACID</u> | <u>***] CACID</u> |
|-------------------|-------------------|
| 210199            | 10021098          |
| 210200            | 10021099          |
| 210201            | 10021100          |
| 210202            | 10021101          |
| 210203            | 10021102          |
| 210204            | 10021103          |
| 210205            | 10021104          |
| 210206            | 10021105          |
| 210207            | 10021106          |
| 210208            | 10021107          |
| 210209            | 10021108          |
| 210210            | 10021109          |
| 210211            | 10021110          |
| 210212            | 10021111          |
| 210213            | 10021112          |
| 285728            | 10021113          |
| 285729            | 10021114          |
| 285730            | 10021115          |
| 285731            | 10021116          |
| 285732            | 10021117          |
| 285733            | 10021118          |
| 285734            | 10021119          |
| 285735            | 10021120          |
| 285736            | 10021121          |
| 285737            | 10021122          |
| 285738            | 10021123          |
| 285739            | 10021124          |

A350 XWB PA-LATAM - AMDT. 3 Exhibit A - D10013836 - 9/2014

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT B

to Amendment N° 3

[\*\*\*]

A350 XWB PA–LATAM – AMDT. 3 Exhibit B – D10013836 - 9/2014

Page 1 of 1

“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**Exhibit 4.33.3**

**NOVATION AGREEMENT**

relating to a A350 XWB Purchase Agreement – CSC.337.0178/07

between

**TAM LINHAS AEREAS S.A.**  
as Original Buyer

and

**LATAM AIRLINES GROUP S.A.**  
as New Buyer

and

**AIRBUS S.A.S.**  
as Seller

Novation Agreement CSC.337.0179/07



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“\*\*\*” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Novation Agreement CSC.337.0179/07



“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**THIS NOVATION AGREEMENT** is made the 21<sup>st</sup> day of July 2014

**BETWEEN:**

- (1) **TAM Linhas Aereas S.A.**, a company organised under the laws of Brazil, having its registered office at Avenida Jurandir, 856, 4<sup>o</sup> andar, Lote 4, CEP 04072 - 000, Jardim CECL, Sao Paulo – SP, Brazil (the “**Original Buyer**”);
- (2) **LATAM Airlines Group S.A.**, a company organised under the laws of Chile, having its registered office at Edificio Huldobro, Avenida Presidente Riesco 5711 -20<sup>th</sup> Floor, Las Condes, Santiago, Chile (the “**New Buyer**”); and
- (3) **AIRBUS S.A.S.**, a *société par actions simplifiée*, created and existing under French law having its registered office at 1 Rond-Point Maurice Bellonte, 31707 Blagnac-Cedex, France and registered with the Toulouse *Registre du Commerce et des Sociétés* under number RCS Toulouse 383 474 814 (the “**Seller**”).

**WHEREAS:**

- (A) By an A350 XWB purchase agreement (reference CSC.337.0179/07) between the Seller and the Original Buyer dated 20 December 2005 (as amended and restated on 21 January 2008 and as further amended 28 July 2010), together with all its exhibits, schedules, letter agreements and appendices (the “**Purchase Agreement**”), the Seller agreed to sell and the Original Buyer agreed to purchase twenty seven (27) Airbus A350 XWB aircraft including the Airframe, the Propulsion Systems and any part, component, furnishing or equipment Installed thereon (the “**Aircraft**”).
- (B) It has been agreed by the Parties hereto that the New Buyer shall assume the rights, liabilities and obligations of the Original Buyer under the Purchase Agreement (as more particularly defined below) and that the Original Buyer should be released from its liabilities and obligations under the Purchase Agreement upon the terms and conditions set out herein.

**NOW THEREFORE**, in consideration of the provisions and mutual covenants herein contained and for good and valuable consideration **IT IS AGREED** as follows:

**1 Definitions and interpretation**

1.1 In this Agreement the following expressions shall, except where the context otherwise requires, have the following respective meanings:

**Aircraft** means the aircraft described more particularly in Recital (A)

**Agreement** means this novation agreement (including the Recitals).

**Business Day** means a day, other than a Saturday or Sunday, on which business of the kind contemplated by this Agreement is carried on in France, in the Original Buyer’s country and in the New Buyer’s country or, where used in relation to a payment, which is a day on which banks are open for business in France, in the Original Buyer’s country, in the New Buyer’s country and in New York, as appropriate.

**Parties** means, together, the parties to this Agreement and each, a Party.

**Purchase Agreement** means the agreement described more particularly in Recital (A), as may be novated, supplemented or amended from time to time.

Novation Agreement CSC.337.0179/07



“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





- 1.2 Unless otherwise specified and except where the context otherwise requires, any reference in this Agreement to;
- (a) any person shall be construed so as to include its successors and permitted assigns and permitted transferees in accordance with their respective interests;
  - (b) this Agreement and any other document shall be construed as a reference to such document as amended, resiated, supplemented, varted or noveted from time to time in accordance with its terms;
  - (c) any provision of law shall be construed as a reference to that provision as amended, supplemented, varied, re-enacted, replaced or restated from time to time;
  - (d) any applicable law includes, without limitation, (i) applicable laws, acts, codes, conventions, decrees, decree-laws, legislation, statutes, treaties and similar instruments. (ii) applicable final Judgments, orders, determinations or awards of any court from which there is no right of appeal (or, if there is a right of appeal, such appeal is not prosecuted within the allowable time) and (iii) applicable directives, guidance, guidelines, notices, orders, regulations and rules of any governmental authority (Whether or not having the force of law but with which, if not having the force of law, compliance is customary);
  - (e) a Clause shall be construed as a reference to a clause of this Agreement;
  - (f) a person shall be construed as a reference to any association, company, corporation, firm, governmental authority, individual, joint venture, partnership (including any limited partnership and any limited liability partnership) or trust (in each case whether or not having separate legal personality);
  - (g) a successor shall be construed so as to mean a successor in title of a person and any person who under the applicable laws of its jurisdiction of incorporation or domicile has assumed the rights and obligations of such person or to which, under such laws or by agreement or otherwise, such rights and obligations have been transferred; and
  - (h) the winding-up, dissolution, administration or re-organisation of a person shall be construed so as to include any equivalent or analogous proceedings under the applicable law of the Jurisdiction in which such person is incorporated or formed or any Jurisdiction in which such person carries on business including the seeking of liquidation, winding-up, re-organisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

1.3 Clause headings are for reference only and shall be ignored in the interpretation of this Agreement.

**2 Novation**

- 2.1 Each of the Parties hereby agrees that with effect from the date hereof:
- (a) the Seller and the Original Buyer shall each be released from further obligations to the other under the Purchase Agreement and their respective rights against each other thereunder shall be cancelled; and
  - (b) the Seller and the New Buyer shall assume obligations towards each other and acquire rights against each which are identical to the rights and obligations which each of the Original Buyer and the Seller had under the Purchase Agreement immediately prior to the execution of this Agreement; and

Novation Agreement CSC.337.0179/07



“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- (c) the New Buyer hereby agrees that it shall perform in accordance with it's terms, the obligations under the Purchase Agreement which were previously those of the Original Buyer and which by the terms of this Agreement will be assumed by it and references in the Purchase Agreement to the "Buyer" shall be construed with effect hereof as references to the New Buyer in place of the Original Buyer; and
- (d) the Seller hereby:
  - (i) releases and discharges the Original Buyer from all of its obligations under the Purchase Agreement and accepts the assumption by the New Buyer of the obligations under the Purchase Agreement which were previously those of the Original Buyer, and
  - (ii) agrees to perform and discharge all of the Sellers obligations, duties and liabilities under the Purchase Agreement to and in favour of the New Buyer in every way as if the New Buyer were named the "Buyer" thereunder; and
- (e) nothing herein shall modify in any way the Seller's rights, liabilities, obligations or remedies under the Purchase Agreement; and
- (f) the Original Buyer hereby:
  - (i) agrees to transfer to the New Buyer the benefit of the pre-delivery payments paid by the Original Buyer pursuant to the Purchase Agreement and actually received by the Seller;
  - (ii) instructs the Seller to treat such amount as having been paid for and on behalf of the New Buyer; and
  - (iii) renounces to any rights it may have against such pre-delivery payments; and
- (g) the Seller hereby acknowledges the transfer and instructions set out in Clause 2.1(i)(ii) and irrevocably agrees that it will treat such pre-delivery payments paid to the Seller by the "Buyer" as having been paid by the New Buyer under the Purchase Agreement (as novated hereunder).

2.2 Each of the events specified in Clause 2.1 is conditional on and shall take effect simultaneously with the others.

**3 Representations**

3.1 Each of the Parties hereto represents and warrants:

- (i) it has the power to enter into and has duly authorised the execution and delivery of this Agreement; and
- (ii) its obligations hereunder constitute its legal, valid and binding obligations.

3.2 Each of the Original Buyer and the Seller hereby represents and warrants to the New Buyer that it has made no prior transfer of any of its rights, title or interest under the Purchase Agreement.



"[\*\*\*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**4 Fees, Costs and Expenses – Indemnity**

- 4.1 The New Buyer hereby agrees that it shall pay all reasonable fees, costs and expenses (including legal and out of pocket expenses) incurred by the Seller in connection with the novation of the Original Buyer’s rights and obligations under the Purchase Agreement and the negotiation, preparation, execution and implementation of this Agreement and each other document required in connection herewith.
- 4.2 The New Buyer hereby undertakes to indemnify and hold harmless the Seller from and against all costs, expenses, losses and liabilities (including taxes or duties of any kind) imposed on, incurred by or asserted against the Seller in any way relating to or arising from or out of the execution of this Agreement including, without limitation, any action or inaction of the New Buyer and/or the Original Buyer in connection with this Agreement unless and except such costs, expenses, losses and liabilities are attributable solely to the gross negligence or wilful misconduct of the Seller.

**5 Seller’s and New Buyer’s Liability**

- 5.1 Nothing herein contained shall subject the Seller to any greater liability under the Purchase Agreement than it would have had under the Purchase Agreement had this Agreement not been executed nor modify in any respect the Seller’s contractual rights thereunder.
- 5.2 Nothing herein contained shall subject the New Buyer to any greater liability under the Purchase Agreement than the Original Buyer would have had under the Purchase Agreement had this Agreement not been executed nor modify in any respect the rights and obligations previously those of the Original Buyer under the Purchase Agreement.

**6 Assignment**

The provisions of Clause 21 (Assignments) of the Purchase Agreement shall apply mutatis mutandis to this Agreement.

**7 Counterparts**

This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Agreement.

**8 Notices**

All notices and requests required or authorized hereunder shall be given in writing either by personal delivery to an authorized representative of the Party to whom the same is given or by registered mail (return receipt requested), express mail (tracking receipt requested) or by facsimile, to be confirmed by subsequent registered mail, and the date upon which any such notice or request is so personally delivered or if such notice or request is given by registered mail, the date upon which it is received by the addressee or, if given by facsimile, the date upon which it is sent with a correct confirmation printout, provided that if such date of receipt is not a Business Day notice shall be deemed to have been received on the first following Business Day, shall be deemed to be the effective date of such notice or request.

Seller’s address for notices is:



“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AIRBUS S.A.S.  
Attn. to V. P. Contracts  
1 Rond-Point Maurice Bellonte  
31707 Blagnac Cedex  
France  
Fax: [\*\*\*]

New Buyer's address for notices is:

LATAM AIRLINES GROUP S.A.  
Edificio Huidobro  
Avenida Presidente Riesco 5711—20<sup>th</sup> Floor  
Las Condes, Santiago  
Chile  
Attn. to Fleet and Engines Vice President  
Fax: +56 2 2585 3905

Original Buyer's address for notices is:

TAM—LINHAS AEREAS S.A.  
Avenida Jurandir, 856,2° andar, Lote 4  
CEP 04072—000, Jardim CECI  
Sao Paulo—SP  
Brazil  
Attn. to Fleet and Engines Vice President  
Fax: +56 2 2585 3905

or to such other address or such other person as the Party receiving the notice or request may reasonably designate from time to time.

**9 Governing Law and Jurisdiction**

- 9.1 This Agreement shall be governed by and construed in accordance with the laws of France.
- 9.2 Any dispute out of or in connection with this Agreement shall be within the exclusive jurisdiction of the Tribunal de Commerce of Paris.

**10 Severability**

In the event that any provision of this Agreement should for any reason be held ineffective, the remainder of this Agreement shall remain in full force and effect. To the extent permitted by applicable law, each Party hereto hereby waives any provision of law, which renders any provision of this Agreement prohibited or unenforceable in any respect.

**11 Confidentiality**

The provisions of clause 22.10 (*Confidentiality*) of the *Purchase Agreement* shall apply *mutatis mutandis* to this Agreement.



“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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As WITNESS the hands of the duly authorised representatives of the Parties on the day and year first above written.

For and on behalf of

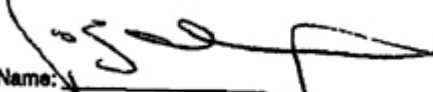
**AIRBUS S.A.S.**

Name: /s/ [illegible]

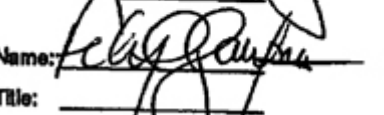
Title: \_\_\_\_\_

For and on behalf

**TAM LINHAS AEREAS S.A.**

Name: 

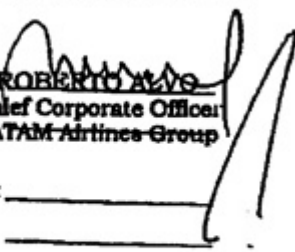
Title: \_\_\_\_\_

Name: 

Title: \_\_\_\_\_

For and on behalf of

**LATAM AIRLINES GROUP S.A**

Name:   
Title: **ROBERTO ALVO**  
**Chief Corporate Officer**  
**LATAM Airlines Group**

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

  
**ANDRES DEL VALLE E.**  
Director Senior  
Finanzas Corporativas





**Exhibit 4.38**

**A320 Family / A330**

**PURCHASE AGREEMENT**

**BETWEEN**

**AIRBUS S.A.S.**

as Seller

**AND**

**TAM - LINHAS AEREAS S.A.**

as Buyer

**Date :** November , 2006

**Reference :** CCC 337.0068/06

A320 / A330 PA – TAM – 11/2006

Foreword- Page 1/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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A320 / A330 PA – TAM – 11/2006

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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A320 / A330 PA – TAM – 11/2006

Foreword- Page 3/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**A 320 / A330 PURCHASE AGREEMENT**

This A320/A330 Purchase Agreement (the “**Agreement**”) is made as of the      day of November 2006

**BETWEEN:**

**AIRBUS S.A.S.**, a *société par actions simplifiée*, legal successor of Airbus S.N.C., formerly known as Airbus G.I.E. and Airbus Industrie G.I.E. created and existing under French law having its registered office at 1 Rond-Point Maurice Bellonte, 31707 Blagnac-Cedex, France and registered with the Toulouse *Registre du Commerce* under number RCS Toulouse 383 474 814 (the “**Seller**”),

and

**TAM - LINHAS AEREAS S.A.** a company organised under the laws of Brazil having its principal place of business at Avenida Jurandir, 856, 2º andar, Lote 4, CEP 04072 - 000, Jardim CECI, SAO PAULO – SP, BRAZIL (the “**Buyer**”).

**WHEREAS** subject to the terms and conditions of this Agreement, the Seller desires to sell the Aircraft to the Buyer and the Buyer desires to purchase the Aircraft from the Seller.

A320 / A330 PA – TAM – 11/2006

Foreword- Page 4/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**NOW THEREFORE IT IS AGREED AS FOLLOWS:**

**0 DEFINITIONS AND INTERPRETATION**

0.1 In addition to words and terms elsewhere defined in this Agreement, the initially capitalised words and terms used in this Agreement shall have the meaning set out below.

- Affiliate** means with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by or under common control with such person or entity.
- Agreement** means this Agreement including the Appendices and Exhibits hereto and all Letter Agreements entered into by the Buyer and the Seller in respect hereof.
- A319 or A319 Aircraft** means an Airbus A319-100 aircraft including the Airframe, the relevant Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement.
- A320 or A320 Aircraft** means an Airbus A320-200 aircraft including the Airframe, the relevant Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement.
- A321 or A321 Aircraft** means an Airbus A321-200 aircraft including the Airframe, the relevant Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement.
- A330-200 or A330-200 Aircraft** means an Airbus A330-200 aircraft including the Airframe, the relevant Propulsion Systems, and any part, component, furnishing or equipment installed on the Aircraft on Delivery under the terms and conditions of this Agreement.
- Aircraft** means, individually or collectively, an Airbus A319, A320, A321, or A330-200 Aircraft.
- Aircraft Training Services** means all training courses, flight training, line training, flight assistance, line assistance, maintenance support, maintenance training (including practical training as defined in Clause 16.8.1) or training support performed on aircraft and provided to the Buyer pursuant to this Agreement.
- Airframe** means the Aircraft excluding the Engines.
- Airframe Basic Price** has the meaning set out in Clause 3.1.1.
- Airframe Price Revision Formula** is set out in Exhibit C Part 1.
- Propulsion Systems Price Revision Formulae** are set out in Exhibit C Part 2 - 5.
- Aviation Authority** means when used in respect of any jurisdiction the government entity, which under the laws of such jurisdiction has control over civil aviation or the registration, airworthiness or operation of aircraft in such jurisdiction.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|   |  |
|---|--|
| <b>Balance of Final Price</b>           | has the meaning set out in Clause 5.4.1.   |
| <b>Bill of Sale</b>                     | has the meaning set out in Clause 9.2.2.   |
| <b>Business Day</b>                     | means (i) a day, other than a Saturday or Sunday on which business of the kind contemplated by this Agreement is carried out in France and Brazil, or (ii) where used in relation to a payment, which is also a day on which banks are open for business in France, New York or Brazil.              |
| <b>Buyer Furnished Equipment</b>        | has the meaning set out in Clause 18.1.1.  |
| <b>Certificate of Acceptance</b>        | has the meaning set out in Clause 8.3.   |
| <b>Default Rate</b>                     | means the rate of Default Interests as defined in Clause 5.7.  |
| <b>Delivery</b>                         | means the transfer of title to the Aircraft from the Seller to the Buyer in accordance with Clause 9.  |
| <b>Delivery Date</b>                    | means the date on which Delivery shall occur.  |
| <b>Delivery Location</b>                | means the facilities of the Seller at the location of final assembly of the Aircraft.  |
| <b>Excusable Delay</b>                  | has the meaning set out in Clause 10.1.  |
| <b>Export Airworthiness Certificate</b> | means an export certificate of airworthiness issued by the Aviation Authority of the Delivery Location.  |
| <b>Final Price</b>                      | has the meaning set out in Clause 3.2  |
| <b>Ground Training Services</b>         | means all training courses performed in classrooms (classical or Airbus CBT courses), full flight simulator sessions, fixed base simulator sessions, field trips and any other services provided to the Buyer on the ground pursuant to this Agreement and which are not Aircraft Training Services. |
| <b>Manufacture Facilities</b>           | means the various manufacture facilities of the Seller, its Affiliates or any sub-contractor, where the Airframe or its parts are manufactured or assembled.   |
| <b>Material</b>                         | has the meaning set out in Clause 1.2 of Exhibit H.  |
| <b>Non-Excusable Delay</b>              | has the meaning set out in Clause 11.1.  |
| <b>Predelivery Payment</b>              | means the payment(s) determined in accordance with Clause 5.3.   |
| <b>Propulsion Systems</b>               | has the meaning set out in Clause 2.2.   |
| <b>Propulsion Systems Basic Price</b>   | has the meaning set out in Clause 3.1.2.   |

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



|   |   |
|---|---|
| <b>Propulsion Systems Manufacturer</b>    | means the manufacturer of the Propulsions Systems as set out in Clause 2.2.   |
| <b>Ready for Delivery</b>                 | means the time when (i) the Technical Acceptance Process has been successfully completed and (ii) the Export Airworthiness Certificate has been issued.   |
| <b>Scheduled Delivery Month</b>           | has the meaning set out in Clause 9.1.1.  |
| <b>Seller’s Representatives</b>           | means the representatives of the Seller referred to in Clause 15.2.   |
| <b>Seller Representatives Services</b>    | means the services provided by the Seller to the Buyer and from the Buyer to the Seller pursuant to Clause 15.  |
| <b>Seller Service Life Policy</b>         | has the meaning set out in Clause 12.2.   |
| <b>Spare Parts</b>                        | means the items of equipment and material which may be provided pursuant to Exhibit H.  |
| <b>Specification Change Notice or SCN</b> | means an agreement in writing between the parties to amend the Specification pursuant to Clause 2.  |
| <b>Specification</b>                      | means either (a) the Standard Specification if no SCNs are applicable or (b) if SCNs are issued, the Standard Specification as amended by all applicable SCNs.  |
| <b>Standard Specification</b>             | means, individually or collectively, the standard specification applicable to each Aircraft type, ie :<br><br>for the A319-100, means standard specification document number J.000.01000 Issue 5, dated January 31 <sup>st</sup> , 2005, a copy of which has been annexed hereto as Exhibit A.<br><br>for the A320-200, means standard specification document number D.000.02000, Issue 6, dated January 31 <sup>st</sup> , 2005, a copy of which has been annexed hereto as Exhibit A.<br><br>for the A321-200, means standard specification document number E.000.02000 Issue 3, dated January 31 <sup>st</sup> , 2005, 2005, a copy of which has been annexed hereto as Exhibit A.<br><br>for the A330-200, means the standard specification document number G.000.02000 Issue 4 revision 2, dated July 12 <sup>th</sup> , 2005, a copy of which has been annexed hereto as Exhibit A. |
| <b>Supplier</b>                           | has the meaning set out in Clause 12.3.1.1.   |
| <b>Supplier Part</b>                      | has the meaning set out in Clause 12.3.1.2.   |
| <b>Supplier Product Support Agreement</b> | has the meaning set out in Clause 12.3.1.3.   |

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- Technical Acceptance Process** has the meaning set out in Clause 8.1.1.
- Technical Data** has the meaning set out in Clause 14.1.
- Total Loss** has the meaning set out in Clause 10.4.
- Type Certificate** has the meaning set out in Clause 7.1.
- Warranted Part** has the meaning set out in Clause 12.1.1.

0.2 Clause headings and the Index are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

0.3 In this Agreement unless the context otherwise requires:

- (a) references to Clauses, Appendices and Exhibits are to be construed as references to the Clauses of, and Appendices, and Exhibits to this Agreement and references to this Agreement include its Schedules, Exhibits and Appendices;
- (b) words importing the plural shall include the singular and vice versa; and
- (c) references to a person shall be construed as including, without limitation, references to an individual, firm, company, corporation, unincorporated body of persons and any state or agency of a state.

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Clause 0 - Page 4/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



1           **SALE AND PURCHASE**

The Seller shall sell and deliver and the Buyer shall buy and take delivery of twelve (12) A319-100, sixteen (16) A320-200, three (3) A321-200 and six (6) A330-200 Aircraft on the Delivery Date at the Delivery Location upon the terms and conditions contained in this Agreement.

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Clause 1 - Page 1/1

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



2 **SPECIFICATION**

2.1 **Airframe Specification**

2.1.1 **Specification**

The Airframe shall be manufactured in accordance with the Standard Specification, as modified or varied prior to the date of this Agreement by the Specification Change Notices listed in Appendices 1 to 3 to Exhibit A, with the corresponding design weights:

|          |            |           |            |
|----------|------------|-----------|------------|
| A319-100 | MTOW 75.5t | MLW 62.5t | MZFW 58.5t |
| A320-200 | MTOW 77t   | MLW 64.5t | MZFW 61.0t |
| A321-200 | MTOW 89t   | MLW 75.5t | MZFW 71.5t |
| A330-200 | MTOW 233t  | MLW 182t  | MZFW 170t  |

2.1.2 **Specification Change Notice (SCN)**

The Specification may be amended by written agreement between the parties in a Specification Change Notice. Each Specification Change Notice shall be substantially in the form set out in Exhibit B and shall set out in detail the particular change to be made to the Specification and the effect, if any, of such change on design, performance, weight, time of Delivery of the Aircraft, and on the text of the Specification. Such SCN may result in an adjustment of the Aircraft Basic Price.

2.1.3 **Development Changes**

The Specification may also be revised by the Seller without the Buyer’s consent in order to incorporate development changes if such changes do not adversely affect price, time of delivery, weight or performance of the Aircraft, maintainability, interchangeability or replaceability requirements under the Specification. The Seller shall inform the Buyer of any such intended changes on a regular basis using the customary means of communication (Modification Information Documents, , AirbusWorld). In any other case the Seller shall issue to the Buyer a Manufacturer Specification Change Notice. Development changes are changes deemed necessary by the Seller to improve the Aircraft, prevent delay or ensure compliance with this Agreement.

2.1.4 **Specification Change Notices for Certification**

The provisions relating to Specification Change Notices for certification are set out in Clauses 7.2. and 7.3.

2.1.5 **Buyer Import Requirements**

The provisions relating to Specification Change Notices for Buyer import requirements are set out in Clause 7.4.

2.1.6 **Inconsistency**

In the event of any inconsistency between the Specification and any other part of this Agreement, this Agreement shall prevail to the extent of such inconsistency.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



## 2.2 Propulsion Systems

The Airframe shall be equipped with respectively a set of two (2):

- For the A319 :

CFM INTERNATIONAL 56-5B6/P engines (thrust 23,500 lbs)  
or  
INTERNATIONAL AERO ENGINE V2524-A5 engines (thrust 23,500 lbs),  
including nacelles and thrust reversers;

- For the A320:

CFM INTERNATIONAL 56-5B4/P engines (thrust 27,000 lbs)  
or  
INTERNATIONAL AERO ENGINE V2527-A5 engines (thrust 26,500 lbs),  
including nacelles and thrust reversers;

- For the A321:

CFM INTERNATIONAL 56-5B3/P engines (Thrust 33,000 lbs)  
or  
INTERNATIONAL AERO ENGINE V2533-A5 engines (Thrust 33,000 lbs),  
including nacelles and thrust reversers;

-For the A330-200:

GENERAL ELECTRIC : CF6-80E1A3 (Thrust 72,000 lbs) engines, including  
nacelles and thrust reversers;  
or  
PRATT & WHITNEY : PW 4168A (Thrust 68,000 lbs) engines, including  
nacelles and thrust reversers;

(each hereinafter referred to as the “**Propulsion Systems**”).

## 2.3 Propulsion System Choice

The Buyer has already notified the Seller of its choice of PRATT & WHITNEY PW 4168A Propulsion Systems for the A330-200 Aircraft, and shall notify the Seller of its Propulsion System choice for the A319, A320 and A321 Aircraft on or before November 13<sup>th</sup>, 2006.

Notwithstanding such Propulsion System choice, the Buyer may revise such choice and select a different Propulsion System for future Deliveries, subject to notifying the Seller by the execution of a Specification Change Notice sixteen (16)

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months prior to Delivery of the first of the concerned A319, A320, A321 or A330-200 Aircraft. For the avoidance of doubt, should the Buyer not revise its initial Propulsion System choice, the initial Propulsion Systems choice shall remain valid for all Aircraft.

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Clause 2 - Page 3/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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2.4 **Customisation Milestones Chart**

Following signature of the Agreement, the Seller shall provide the Buyer with a Customisation Milestones Chart setting out the minimum lead times prior to the Scheduled Delivery Month of the Aircraft, when a mutual agreement shall be reached (such agreement to be reflected in the execution of one or more SCNs) in order to integrate into the Specification, any items requested by the Buyer from the Specification Changes Catalogues made available by the Seller.

Notwithstanding the above, the contractual definition freeze date (CDF) shall be at the latest eight (8) months prior to Delivery for A319/A320 and A321 Aircraft, and eleven (11) months for A330 Aircraft. Any contractual document (SCNs, cabin layout, cabin emergency equipment, etc.) not duly approved and signed by the Buyer before CDF shall be subject to a feasibility study by the Seller and may lead to a price penalty and may result in an adjustment of the Scheduled Delivery Month.

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Clause 2 - Page 4/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**3 PRICES**

**3.1 A319, A320, A321 and A330-200 Aircraft Prices**

For each of the A319, A320, A321 and A330 the Aircraft Basic Price shall be respectively the sum of:

- (i) The Airframe Basic Price as defined in Clause 3.1.1 below and;
- (ii) The Propulsion Systems Basic Price as defined in Clause 3.1.2 below.

**3.1.1 Airframe Basic Price**

**3.1.1.1 A319, A320 and A321 Airframe Basic Price**

The Airframe Basic Price for each of the A319, A320 and A321 is the sum of:

- (i) the basic price of the Airframe as defined in the relevant Standard Specification (excluding Buyer Furnished Equipment, but including specifically nacelles and thrust reversers if equipped with International Aero Engine Propulsion Systems), which is :

- **For A319:**

[\*\*\*]

- **For A320:**

[\*\*\*]

- **For A321:**

[\*\*\*]

- (ii) the sum of the basic prices of all SCNs defined and listed in Appendices 1, 2 and 3 to Exhibit A:

- **For A319:**

[\*\*\*]

- **For A320:**

[\*\*\*]

- **For A321:**

[\*\*\*]

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



3.1.1.2 A330-200 Airframe Basic Price

The Airframe Basic Price for each of the A330-200 is the sum of:

- (i) the basic price of the Airframe, as defined in the Standard Specification (excluding Buyer Furnished Equipment), which is :

[\*\*\*]

- (ii) the sum of the basic prices of all SCNs defined and listed in Appendix 3 to Exhibit A:

[\*\*\*]

3.1.1.3 The respective Airframe Basic Prices have been established in accordance with the average economic conditions prevailing in December 2004, January 2005, February 2005 and corresponding to a theoretical delivery in January 2006 - (the “**Base Period**”).

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Clause 3 - Page 2/4

“[ \* \* \* ]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



3.1.2. **Propulsion Systems Basic Price**

The basic price of a set of two (2) Propulsion Systems is respectively:

- **For A319:**

CFM INTERNATIONAL 56-5B6/P Propulsion Systems:

[\*\*\*]

INTERNATIONAL AERO ENGINE V2524-A5 Propulsion Systems, specifically excluding, for the avoidance of doubt, nacelles and thrust reversers):

[\*\*\*]

- **For A320:**

CFM INTERNATIONAL 56-5B4/P Propulsion Systems:

[\*\*\*]

INTERNATIONAL AERO ENGINE V2527-A5 Propulsion Systems specifically excluding, for the avoidance of doubt, nacelles and thrust reversers:

[\*\*\*]

- **For A321:**

CFM56-5B3/P Propulsion Systems:

[\*\*\*]

IAE V2533-A5 Propulsion Systems, specifically excluding, for the avoidance of doubt, nacelles and thrust reversers:

[\*\*\*]

- **For A330-200:**

GENERAL ELECTRIC CF6-80E1A3 Propulsion Systems :

[\*\*\*]

PRATT & WHITNEY PW4168A Propulsion Systems:

[\*\*\*]

The respective Propulsion Systems Basic Prices have been established in accordance with the delivery conditions prevailing in January 2006 and have been calculated from the respective Propulsion Systems Reference Prices.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**3.2 Final Price**

The Final Price of each Aircraft shall be the sum of:

- (i) the Airframe Basic Price as revised as of the Delivery Date in accordance with Clause 4.1; plus
- (ii) the aggregate of all increases or decreases to the Airframe Basic Price as agreed in any Specification Change Notice or part thereof applicable to the Airframe subsequent to the date of this Agreement as revised as of the Delivery Date in accordance with Clause 4.1; plus
- (iii) the Propulsion Systems Reference Price as revised as of the Delivery Date in accordance with Clause 4.2; plus
- (iv) the aggregate of all increases or decreases to the Propulsion Systems Reference Price as agreed in any Specification Change Notice or part thereof applicable to the Propulsion Systems subsequent to the date of this Agreement as revised as of the Delivery Date in accordance with Clause 4.2; plus
- (v) any other amount due by the Buyer to the Seller provided for or resulting from any other provision of this Agreement and/or any other written agreement between the Buyer and the Seller with respect to the Aircraft.

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Clause 3 - Page 4/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**4. PRICE REVISION**

**4.1 Revision of Airframe Basic Price**

The Airframe Basic Price is subject to revision in accordance with the Airframe Price Revision Formula up to and including the Delivery Date as set forth in Part 1 of Exhibit C.

**4.2 Revision of Propulsion Systems Reference Prices**

4.2.1. The Propulsion Systems Reference Prices are subject to revision in accordance with the respective Propulsion Systems Price Revision Formula up to and including the Delivery Date, as set forth in Part 2 - 6 of Exhibit C.

**4.2.2 Modification of Propulsion Systems Reference Prices and Propulsion Systems Price Revision Formulae**

The Propulsion Systems Reference Prices, the prices of the related equipment and the Propulsion Systems Price Revision Formulae are based on information received from the Propulsions Systems Manufacturers and are subject to amendment by the Propulsion Systems Manufacturers at any time prior to the Delivery Date. If the Propulsion Systems Manufacturers make any such amendment, the amendment shall be automatically incorporated into this Agreement and the Propulsion Systems Reference Prices, the prices of the related equipment and the Propulsion Systems Price Revision Formulae shall be adjusted accordingly. The Seller agrees to notify the Buyer as soon as it receives notice of any such amendment from the Propulsion Systems Manufacturers.

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Clause 4 - Page 1/1

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**5 PAYMENTS**

**5.1 Seller's Account**

The Buyer shall pay the Predelivery Payments, the Balance of Final Price and/or any other amount due by the Buyer to the Seller, to the Seller's account:

Beneficiary Name: AIRBUS

account identification: [\*\*\*]

with:

[\*\*\*]

or to such other account as may be designated in writing by the Seller.

**5.2** [\*\*\*]

**5.3** [\*\*\*]

**5.3.1** [\*\*\*]

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Clause 5 - Page 1/5

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





- 5.3.2 [\*\*\*]
- 5.3.3 [\*\*\*]
- 5.3.4 [\*\*\*]

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Clause 5 - Page 2/5

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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5.3.5 [\*\*\*]

**5.4 Balance of Final Price**

5.4.1 The Balance of the Final Price payable by the Buyer to the Seller on the Delivery Date shall be the Final Price less the amount of all Predelivery Payments received by the Seller for the relevant Aircraft on or before the Delivery Date.

5.4.2 Upon receipt of the Seller’s invoice, immediately prior and as a condition to Delivery, the Buyer shall pay to the Seller the Balance of the Final Price.

**5.5 Other Charges**

Unless expressly stipulated otherwise, any other charges due under this Agreement other than those set out in Clauses 5.2, 5.3 and 5.4 shall be paid by the Buyer at the same time as payment of the Balance of Final Price or, if invoiced after the Delivery Date, within thirty (30) days after the invoice date.

**5.6 Method of Payment**

5.6.1 All payments provided for in this Agreement shall be made in the United States Dollars (USD) in immediately available funds.

5.6.2 All payments due to the Seller hereunder shall be made in full, without set-off, counterclaim, deduction or withholding of any kind. Consequently, the Buyer shall procure that the sums received by the Seller under this Agreement shall be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature. In the event that the tax laws of Brazil change in a manner that would require the Buyer to make any such deduction or withholding the Buyer shall pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding shall be equal to the amounts which would have been received in the absence of such deduction or withholding and pay to the relevant taxation or other authorities within the period for payment permitted by applicable law, the full amount of the deduction or withholding.

**5.7 Default Interest**

If any payment due to the Seller under this Agreement including but not limited to any Predelivery Payment, option fees for the Aircraft as well as any payment due to the Seller for any spare parts, data, documents, training and services, is not received on the due date, without prejudice to the Seller’s other rights under this Agreement and at law, the Seller shall be entitled to interest for late payment calculated on the amount due from and including the due date of payment up to and including the date when the payment is received by the Seller at a rate equal to the [\*\*\*].

All such interest shall be compounded monthly and calculated on the basis of the actual number of days elapsed in the month assuming a [\*\*\*].

**5.8 Taxes**

5.8.1 The amounts stated in this Agreement to be payable by the Buyer are exclusive of value added tax (“VAT”) chargeable under the laws of the Delivery Location.

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- 5.8.2 Subject to Buyer exporting the Aircraft after Delivery and providing the Seller with all necessary documents attesting to this exportation, the Seller shall pay all taxes, duties or similar charges of any nature whatsoever levied, assessed, charged or collected for or in connection with the manufacture, assembly, sale and delivery under this Agreement of any of the Aircraft, services, instructions and data delivered or furnished hereunder provided such charges have been promulgated and are enforceable under the laws of the Delivery Location, or if different, FRANCE, the FEDERAL REPUBLIC OF GERMANY, GREAT BRITAIN or SPAIN.
- 5.8.3 The Buyer shall bear the costs of and pay any and all taxes, duties or similar charges of any nature whatsoever not assumed by the Seller under Clause 5.8.2 including but not limited to any duties or taxes due upon or in relation to the importation or registration of the Aircraft in the Buyer's country and/or any withholdings or deductions levied or required in the Buyer's country in respect of the payment to the Seller of any amount due by the Buyer hereunder.
- 5.8.4 The parties shall cooperate and take reasonable steps to avoid or reduce the other party's liability for tax, duty, or similar charges under this Clause 5. However, in doing so, the parties shall not be required to do anything that might prejudice their own business interests or require them to disclose confidential information or to incur any additional cost.

**5.9 Proprietary Interest**

The Buyer shall not, by virtue of anything contained in this Agreement (including, without limitation, any Predelivery Payments hereunder, or any designation or identification by the Seller of a particular aircraft as an Aircraft to which any of the provisions of this Agreement refers) acquire any proprietary, insurable or other interest whatsoever in any Aircraft before Delivery of and payment for such Aircraft, as provided in this Agreement.

**5.10 Set-Off**

The Seller may set-off any matured obligation owed by the Buyer to the Seller and/or its Affiliates under any other aircraft purchase, financing or leasing agreement between the Buyer and the Seller against any obligation owed by the Seller to the Buyer under this Agreement, regardless of the place of payment or currency (it being understood that if this obligation is unascertainable it may be estimated and the set-off made in respect of such estimate).

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**5.11 Cross-Collateralisation**

5.11.1 The Buyer hereby agrees that, notwithstanding any provision to the contrary in this Agreement, in the event that the Buyer should fail to make any material payment owing under this Agreement or under any other under any aircraft purchase, spare parts purchase, financing or leasing agreement between the Buyer and the Seller and/or any of their respective Affiliates (the "Other Agreement") in an amount exceeding [\*\*\*], the Seller may:

- (i) withhold payment to the Buyer or its Affiliates of any sums that may be due to or claimed by the Buyer or its Affiliates from the Seller or its Affiliates pursuant to this Agreement or any Other Agreement, including Predelivery Payments, unless or until the default under this Agreement or the Other Agreement is cured or remedied; and
- (ii) apply any amount of any Predelivery Payment it then holds under this Agreement in respect of any of the Aircraft as well as any other monies held pursuant to any Other Agreement (collectively the "Relevant Amounts") in such order as the Seller deems appropriate in satisfaction of any amounts due and unpaid by the Buyer or its Affiliates. The Buyer acknowledges that the application of any of the Relevant Amounts as aforesaid may result in the Buyer or its Affiliates being in default (unless such default is otherwise cured or remedied) in relation to the agreement in respect of which such Relevant Amounts were originally granted or required to be paid, as the case may be. For the sake of clarity, the default against which the Relevant Amounts are applied shall be deemed to be cured up to the amount of the Relevant Amounts applied.

The rights granted to the Seller in the preceding paragraphs (i) and (ii) are without prejudice and are in addition to and shall not be deemed a waiver of any other rights and remedies the Seller or its Affiliates may have at law or under this Agreement or any Other Agreement, including the right of set-off.

5.11.2 In the event that the Seller, in accordance with the provisions hereof, applies any amount of any Predelivery Payment it then holds under this Agreement in respect of any of the Aircraft in satisfaction of the amount due and unpaid by the Buyer or its Affiliates or to compensate for losses and/or damages to the Seller or its Affiliates as a result of the Buyer's or its Affiliates' failure to make payment in a timely manner under the Agreement or any Other Agreement, then the Seller shall notify the Buyer to that effect. Within [\*\*\*] of issuance of such notification, the Buyer shall pay by wire transfer of funds immediately available to the Seller the amount of the Predelivery Payment that has been applied by the Seller as set forth above.

Failure of the Buyer to pay such amount in full, shall entitle the Seller to [\*\*\*] treat such failure as an additional termination event for which the Seller shall be entitled to the remedies available under Clause 20.2 of the Agreement.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



6 MANUFACTURE PROCEDURE – INSPECTION

6.1. Manufacture Procedure

Each Airframe shall be manufactured in accordance with the relevant requirements of the laws of the jurisdiction of incorporation of the Seller or of its relevant Affiliates as enforced by the Aviation Authority of such jurisdictions.

6.2 Inspection

6.2.1 Subject to providing the Seller with certificates evidencing compliance with the insurance requirements set forth in Clause 19, the Buyer or its duly authorised representatives (the “Buyer’s Inspector(s)”) shall be entitled to inspect the manufacture of the Airframe and all materials and parts obtained by the Seller for the manufacture of the Airframe on the following terms and conditions;

- (i) any inspection shall be made according to a procedure to be agreed upon with the Buyer but shall be conducted pursuant to the Seller’s own system of inspection as developed under the supervision of the relevant Aviation Authority;
- (ii) the Buyer’s Inspector(s) shall have access to such relevant technical data as is reasonably necessary for the purpose of the inspection;
- (iii) any inspection and any related discussions with the Seller and other relevant personnel by the Buyer’s Inspector (s) shall be at reasonable times during business hours and shall take place in the presence of relevant inspection department personnel of the Seller;
- (iv) the inspections shall be performed in a manner not to unduly delay or hinder the manufacture or assembly of the Aircraft or the performance of this Agreement by the Seller or any other work in progress at the Manufacture Facilities.

6.2.2 Location of Inspections

The Buyer’s Inspector(s) shall be entitled to conduct any such inspection at the relevant Manufacture Facility of the Seller or its Affiliates and where possible at the Manufacture Facilities of the sub-contractors provided that if access to any part of the Manufacture Facilities where the Airframe manufacture is in progress or materials or parts are stored are restricted for security or confidentiality reasons, the Seller shall be allowed reasonable time to make the relevant items available elsewhere.

6.3 Seller’s Service for Buyer’s Inspector(s)

For the purpose of the inspections, and commencing with the date of this Agreement until the Delivery Date, the Seller shall furnish without additional charge suitable space and office equipment in or conveniently located with respect to the Delivery Location for the use of a reasonable number of Buyer’s Inspector(s).

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



7 **CERTIFICATION**

7.1 **Type Certification**

The Aircraft shall have been type certificated under European Aviation Safety Agency (EASA) procedures for joint certification in the transport category. The Seller shall have obtained the relevant type certificate (the “**Type Certificate**”) to allow the issuance of the Export Airworthiness Certificate.

7.2 **Export Airworthiness Certificate**

7.2.1 The Aircraft shall be delivered to the Buyer with an Export Airworthiness Certificate valid for export of the Aircraft to Brazil.

7.2.2 If, any time before the date on which the Aircraft is Ready for Delivery, any law or regulation is enacted, promulgated, becomes effective and/or an interpretation of any law or regulation is issued which requires any change to the Specification for the purposes of obtaining the Export Airworthiness Certificate (a “**Change in Law**”), the Seller shall make the required variation or modification and the parties hereto shall sign a Specification Change Notice which specifies the effects, if any, upon the guaranteed performances, weights, interchangeability, time of Delivery, price of the Aircraft and text of the Specification.

7.2.3 The Seller shall as far as practicable (but at its sole discretion and without prejudice to Clause 7.3.1 (ii)) take into account the information available to it concerning any proposed law, regulation or interpretation which could become a Change in Law in order to minimise the costs of changes to the Specification as a result of such proposed law, regulation or interpretation becoming effective prior to the Aircraft being Ready for Delivery.

7.3 [\*\*\*]

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LATAM AIRLINES GROUP**

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7.4 **Validation of the Export Airworthiness Certificate**

7.4.1 The Seller shall endeavour to obtain the validation of the Export Airworthiness Certificate by the Buyer's Aviation Authority.

7.4.2 Where the Buyer's Aviation Authority requires a modification to comply with additional import aviation requirements and/or supply of additional data prior to the issuance of the Export Airworthiness Certificate, the Seller shall incorporate such modification and/or provide such data at costs to be borne by the Buyer. The parties shall sign a Specification Change Notice which specifies the effects, if any, upon the guaranteed performances, weights, interchangeability, time of Delivery and price of the Aircraft.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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8 BUYER'S TECHNICAL ACCEPTANCE

8.1 Technical Acceptance Process

8.1.1 Prior to Delivery the Aircraft shall undergo the Seller's standard technical acceptance process (the "Technical Acceptance Process"). Completion of the Technical Acceptance Process shall demonstrate the satisfactory functioning of the Aircraft and shall be deemed to demonstrate compliance with the Specification. Should it be established that the Aircraft does not comply with the Technical Acceptance Process requirements, the Seller shall without hindrance from the Buyer be entitled to carry out any necessary changes and, as soon as practicable thereafter, resubmit the Aircraft to such further Technical Acceptance Process as is necessary to demonstrate the elimination of the non-compliance.

8.1.2 The Technical Acceptance Process shall:

- (i) commence on a date notified by the Seller to the Buyer as per Clause 9.1.2;
- (ii) take place at the Delivery Location;
- (iii) be carried out by the personnel of the Seller, with the Buyer's attendance as provided for in Clause 8.2 herebelow;
- (iv) include a technical acceptance flight which shall not exceed a period of [\*\*\*] hours.

8.2 Buyer's Attendance

8.2.1 The Buyer shall be entitled to elect to attend the Technical Acceptance Process.

8.2.2 If the Buyer elects to attend the Technical Acceptance Process, the Buyer;

- (i) shall co-operate in complying with the reasonable requirements of the Seller with the intention of completing the Technical Acceptance Process within [\*\*\*] Business Days after its commencement;
- (ii) may have a [\*\*\*] such representatives having access to the cockpit at any one time) accompany the Seller's representatives on a technical acceptance flight and during such flight the Buyer's representatives shall comply with the instructions of the Seller's representatives.

8.2.3 If the Buyer, having been notified in accordance with Clause 9.1.2, does not attend and/or fails to co-operate in the Technical Acceptance Process, the Seller shall be entitled to complete the Technical Acceptance Process and the Buyer shall be deemed to have accepted the Technical Acceptance Process as satisfactory in all respects.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





8.3 **Certificate of Acceptance**

Upon successful completion of the Technical Acceptance Process, the Buyer shall, on or before the Delivery Date, sign and deliver to the Seller a certificate of acceptance in respect of the Aircraft in the form of Exhibit D (the “**Certificate of Acceptance**”).

8.4 **Aircraft Utilisation**

The Seller shall, without payment or other liability to the Buyer, be entitled to use the Aircraft prior to Delivery as may be necessary to obtain the certificates required under Clause 7.2, and such use shall not prejudice the Buyer’s obligation to accept Delivery of the Aircraft hereunder.

However the Seller shall not be authorised to use the Aircraft during more than [\*\*\*] for any other purpose without the specific agreement of the Buyer. Such utilization shall have no impact on the warranties provided in Clause 12 of the Agreement, and the Seller shall provide data in respect of pre-delivery utilisation if requested by the Buyer or the Buyer’s Aviation Authority.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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9 DELIVERY

9.1 Delivery Schedule

9.1.1 Subject to Clauses 2, 7, 8, 10 and 18, the Seller shall have the Aircraft Ready for Delivery at the Delivery Location within the following quarters:

9.1.1.1 A319 / A320 / A321 Aircraft

| Aircraft Rank    | Aircraft Type | Delivery Date  |
|------------------|---------------|----------------|
| - Aircraft N° 64 | [***]         | August 2007    |
| - Aircraft N° 65 | [***]         | August 2007    |
| - Aircraft N° 66 | [***]         | October 2007   |
| - Aircraft N° 67 | [***]         | October 2007   |
| - Aircraft N° 68 | [***]         | November 2007  |
| - Aircraft N° 69 | [***]         | November 2008  |
| - Aircraft N° 70 | [***]         | February 2009  |
| - Aircraft N° 71 | [***]         | March 2009     |
| - Aircraft N° 72 | [***]         | May 2009       |
| - Aircraft N° 73 | [***]         | July 2009      |
| - Aircraft N° 74 | [***]         | August 2009    |
| - Aircraft N° 75 | [***]         | August 2009    |
| - Aircraft N° 76 | [***]         | August 2009    |
| - Aircraft N° 77 | [***]         | September 2009 |
| - Aircraft N° 78 | [***]         | October 2009   |
| - Aircraft N° 79 | [***]         | November 2009  |
| - Aircraft N° 80 | [***]         | December 2009  |
| - Aircraft N° 81 | [***]         | January 2010   |
| - Aircraft N° 82 | [***]         | January 2010   |
| - Aircraft N° 83 | [***]         | February 2010  |
| - Aircraft N° 84 | [***]         | April 2010     |
| - Aircraft N° 85 | [***]         | April 2010     |
| - Aircraft N° 86 | [***]         | June 2010      |
| - Aircraft N° 87 | [***]         | July 2010      |
| - Aircraft N° 88 | [***]         | August 2010    |
| - Aircraft N° 89 | [***]         | September 2010 |
| - Aircraft N° 90 | [***]         | September 2010 |
| - Aircraft N° 91 | [***]         | October 2010   |
| - Aircraft N° 92 | [***]         | October 2010   |
| - Aircraft N° 93 | [***]         | December 2010  |
| - Aircraft N° 94 | [***]         | December 2010  |

[\*\*\*], subject to the Seller’s prevailing industrial and commercial constraints.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



9.1.1.2 [\*\*\*]Aircraft

| Aircraft Rank   | Delivery Date  |
|-----------------|----------------|
| - Aircraft N° 1 | November 2007  |
| - Aircraft N° 2 | December 2007  |
| - Aircraft N° 3 | September 2008 |
| - Aircraft N° 4 | October 2008   |
| - Aircraft N° 5 | January 2009   |
| - Aircraft N° 6 | January 2009   |

[\*\*\*], subject to the Seller’s prevailing industrial and commercial constraints.

At a time closer to the abovementioned quarters, at the latest [\*\*\*]months prior to the beginning of the relevant quarter, the Seller shall precise to the Buyer the delivery month for the relevant Aircraft within such quarter, subject to the Seller’s then prevailing industrial and commercial constraints. Each of such months shall be, with respect to the corresponding Aircraft, the “Scheduled Delivery Month”.

9.1.2 The Seller shall give the Buyer at least [\*\*\*]prior written notice of the anticipated week in which the Aircraft is scheduled to be Ready for Delivery.

Thereafter, the Seller shall give the Buyer at least [\*\*\*]prior written notice of the anticipated date upon which the Aircraft shall be Ready for Delivery, such notification including the schedule of the Technical Acceptance Process as set forth in Clause 8.1.

Thereafter the Seller shall without undue delay notify the Buyer in writing of any change in such date necessitated by the conditions of manufacture or flight.

9.2 Delivery

9.2.1 The Buyer shall send its representatives to the Delivery Location to take Delivery of, and collect, the Aircraft within seven (7) days after the date on which the Aircraft is Ready for Delivery and shall pay the Balance of the Final Price on or before the Delivery Date.

9.2.2 The Seller shall deliver and transfer title to the Aircraft free and clear of all encumbrances to the Buyer provided that the Balance of the Final Price has been paid by the Buyer pursuant to Clause 5.4 and that the Certificate of Acceptance has been signed and delivered to the Seller pursuant to Clause 8.3. The Seller shall provide the Buyer with a bill of sale in the form of Exhibit E (the “Bill of Sale”) and/or such other documentation confirming transfer of title and receipt of the Final Price as may reasonably be requested by the Buyer. Title to, property in and risk of loss of or damage to the Aircraft shall be transferred to the Buyer on Delivery.

9.2.3 Should the Buyer fail to

- (i) deliver the signed Certificate of Acceptance to the Seller upon successful completion of the Technical Acceptance Process within the delivery period as defined in Clause 9.2.1; or
- (ii) pay the Balance of the Final Price for the Aircraft to the Seller within the above defined period

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



then the Buyer shall be deemed to have rejected delivery of the Aircraft without warrant when duly tendered to it hereunder. In addition to Clause 5.7 and the Seller's other rights under this Agreement, the Seller shall retain title to the Aircraft but the Buyer shall thereafter indemnify and hold the Seller harmless against any and all costs (including but not limited to any parking, storage, and insurance costs, but excluding any financial cost which shall be compensated by the amounts payable under Clause 5.7) and consequences resulting from such failure, it being understood that the Seller shall be under no duty to store, park, insure, or otherwise protect the Aircraft.

9.3 **Fly Away**

9.3.1 The Buyer and the Seller shall co-operate to obtain any licenses which may be required by the Aviation Authority of the Delivery Location for the purpose of exporting the Aircraft.

9.3.2 All expenses of, or connected with, flying the Aircraft from the Delivery Location after Delivery shall be borne by the Buyer. The Buyer shall make direct arrangements with the supplying companies for the fuel and oil required for all post-Delivery flights.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



10 **EXCUSABLE DELAY**

10.1 The Buyer acknowledges that each of the Aircraft is to be manufactured by Seller in performance of this Agreement and that the Scheduled Delivery Month is based on the assumption that there shall be no delay due to causes beyond the control of the Seller. Accordingly, Seller shall not be responsible for any delay in the Delivery of the Aircraft or delay or interruption in the performance of the other obligations of the Seller hereunder due to causes beyond its control, and not occasioned by its fault or negligence including (but without limitation) acts of God or the public enemy, war, civil war, warlike operations, terrorism, insurrections or riots, fires, explosions, natural disasters, compliance with any applicable foreign or domestic governmental regulation or order, labour disputes (however excluding disputes involving the Seller's workforce) causing cessation, slowdown or interruption of work, inability after due and timely diligence to procure materials, equipment or parts, general hindrance in transportation or failure of a sub-contractor or supplier to furnish materials, equipment or parts. Any delay or interruption resulting from any of the foregoing causes is referred to as an "Excusable Delay".

10.2 If an Excusable Delay occurs:

- (i) the Seller shall notify the Buyer of such Excusable Delay as soon as practicable after becoming aware of the same;
- (ii) the Seller shall not be responsible for any damages arising from or in connection with such Excusable Delay suffered or incurred by the Buyer;
- (iii) the Seller shall not be deemed to be in default in the performance of its obligations hereunder as a result of such Excusable Delay;
- (iv) the Seller shall use all reasonable endeavors to minimize or overcome any Excusable Delay to the extent it is reasonably able to do so;
- (iv) the Seller shall as soon as practicable after the removal of the cause of the delay resume performance of its obligations under this Agreement and in particular shall notify to the Buyer the revised Scheduled Delivery Month; and
- (ii) [\*\*\*]

10.3 **Termination on Excusable Delay**

10.3.1 If the Delivery of any Aircraft is delayed as a result of an Excusable Delay for a period of more than [\*\*\*].

10.3.2 If the Seller concludes that the Delivery of any Aircraft shall be delayed for more than [\*\*\*] after the last day of the Scheduled Delivery Month due to an Excusable Delay and as a result thereof reschedules Delivery of such Aircraft to a date or month reflecting such delay then the Seller shall promptly notify the Buyer in writing to this effect and shall include in such notification the new Scheduled Delivery Month. [\*\*\*].

10.3.3 If this Agreement shall not have been [\*\*\*], then the Seller shall be entitled to reschedule Delivery and the new Scheduled Delivery Month shall be notified to the Buyer and shall be binding on the parties.

10.3.4 In the event of a [\*\*\*].

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10.4 **Total Loss, Destruction or Damage**

If prior to Delivery, any Aircraft is lost, destroyed or in the reasonable opinion of the Seller is damaged beyond repair (“**Total Loss**”), the Seller shall notify the Buyer to this effect within [\*\*\*] of such occurrence, or in the case of loss or destruction within [\*\*\*]. The Seller shall include in said notification (or as soon after the issue of the notice as such information becomes available to the Seller) the earliest date consistent with the Seller’s other commitments and production capabilities that an aircraft to replace the Aircraft may be delivered to the Buyer and the Scheduled Delivery Month shall be extended as specified in the Seller’s notice to accommodate the delivery of the replacement aircraft; provided, however, that in the event the specified extension of the Scheduled Delivery Month to a month is exceeding [\*\*\*] after the last day of the original Scheduled Delivery Month then this Agreement shall terminate with respect to said Aircraft unless:

- (i) the Buyer notifies the Seller within [\*\*\*] of the date of receipt of the Seller’s notice that it desires the Seller to provide a replacement aircraft during the month quoted in the Seller’s notice; and
- (ii) the parties execute an amendment to this Agreement recording the variation in the Scheduled Delivery Month; provided, however, that nothing herein shall require the Seller to manufacture and deliver a replacement aircraft if such manufacture would require the reactivation of its production line for the model or series of aircraft which includes the Aircraft purchased hereunder.

Should there be a Total Loss without the Agreement terminating with respect to the concerned Aircraft as per the provisions hereabove, the Seller agrees that the Final Price for the replacement aircraft shall not be revised for the period between original Delivery Date of the Aircraft subject of the Total Loss and the actual Delivery Date of the replacement aircraft in accordance with Clauses 4 and 3.3.

[\*\*\*],.

10.5 **Termination Rights Exclusive**

In the event that this Agreement shall be terminated as provided for under the terms of Clauses 10.3 or 10.4, such termination shall discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft and undelivered material, services, data or other items applicable thereto and to be furnished hereunder and neither party shall have any claim against the other for any loss resulting from such non-delivery. The Seller shall in no circumstances have any liability whatsoever for Excusable Delay other than as set forth in this Clause 10.



11 **NON-EXCUSABLE DELAY**

11.1 [\*\*\*]

Should any of the Aircraft not be Ready for Delivery to the Buyer within [\*\*\*] after the last day of the Scheduled Delivery Month (as varied by virtue of Clauses 2, 7 and 10) (the “**Delivery Period**”) and such delay is not as a result of an Excusable Delay or Total Loss (a “**Non-Excusable Delay**”), then the Buyer shall have the right to claim, and the Seller shall [\*\*\*]:

[\*\*\*]

Should the Seller inform the Buyer of a Non-Excusable Delay [\*\*\*]

11.2 [\*\*\*]

11.3 **Re-negotiation**

If, as a result of Non-Excusable Delay, Delivery does not occur in the period falling [\*\*\*] after the Delivery Period, the Buyer shall have the right exercisable by written notice to the Seller given not less than [\*\*\*] nor more than [\*\*\*] after the expiration of the [\*\*\*] falling after the Delivery Period to require from the Seller a re-negotiation of the Scheduled Delivery Month for the affected Aircraft. Unless otherwise agreed between the Seller and the Buyer during such re-negotiation, the said re-negotiation shall not prejudice the Buyer’s right to [\*\*\*] in accordance with Clause 11.1 during the period of Non-Excusable Delay.

11.4 **Termination**

If, as a result of Non-Excusable Delay, Delivery does not occur in the period falling either

- (i) [\*\*\*] after the Delivery Period in the case that the Seller has notified the Buyer of a Non-Excusable Delay up to [\*\*\*] prior to the scheduled Delivery Date as per Clause 11.1(i), or
- (ii) [\*\*\*] in the case that the Seller has notified the Buyer of a Non-Excusable Delay within [\*\*\*] from the scheduled Delivery Date as per Clause 11.1(ii),

and the parties have not renegotiated the Delivery Date pursuant to Clause 11.2, the Buyer shall have the right exercisable by written notice to the other party, given not less than [\*\*\*] nor more than [\*\*\*] after expiration of such [\*\*\*], as the case may be, [\*\*\*].

11.5 [\*\*\*]

[\*\*\*]

. [\*\*\*] REDACTED LANGUAGE FOR CONFIDENTIAL TREATMENT PER CLAUSE 22.10.

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12 **WARRANTIES AND SERVICE LIFE POLICY**

This Clause covers the terms and conditions of the warranty and service life policy.

12.1 **Standard Warranty**

12.1.1 **Nature of Warranty**

Subject to the conditions and limitations as hereinafter provided for and except as provided for in Clause 12.1.2, the Seller warrants to the Buyer that each Aircraft and all Warranted Parts as defined hereinafter shall at Delivery to the Buyer:

- (i) be free from defects in material;
- (ii) be free from defects in workmanship, including without limitation processes of manufacture;
- (iii) be free from defects in design (including without limitation the selection of materials) having regard to the state of the art at the date of such design (or, should any design changes be implemented later through modifications or Service Bulletins, the state of the art at the date of design of such modification or Service Bulletin shall apply to such design change); and
- (iv) be free from defects arising from failure to conform to the Specification, except to those portions of the Specification relating to performance or where it is expressly stated that they are estimates, approximations or design aims.

For the purpose of this Agreement the term **“Warranted Part”** shall mean any Seller proprietary component, equipment, accessory or part as installed on an Aircraft at Delivery of such Aircraft and

- (a) which is manufactured to the detailed design of the Seller or a subcontractor of the Seller and
- (b) which bears a part number of the Seller at the time of such delivery.

12.1.2 **Exclusions**

The warranties set forth in Clause 12.1.1 shall not apply to Buyer Furnished Equipment, nor to the Engines, nor to any component, equipment, accessory or part purchased by the Seller that is not a Warranted Part except that:

- (i) any defect in the Seller’s workmanship incorporated in the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturer of such item that invalidates any applicable warranty from such manufacturer, shall constitute a defect in workmanship for the purpose of this Clause and be covered by the warranty set forth in sub-Clause 12.1.1 (ii); and

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Clause 12 - 1/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





- (ii) any defect inherent in the Seller’s design of the installation, in view of the state of the art at the date of such design (or, should any design changes be implemented later through modifications or Service Bulletins, the state of the art at the date of design of such modification or Service Bulletin shall apply to such design change), which impair the use of such item shall constitute a defect in design for the purpose of this Clause and be covered by the warranty set forth in sub-Clause 12.1.1 (iii).

**12.1.3 Warranty Period**

The warranties contained in Clauses 12.1.1 and 12.1.2 shall be limited to those defects which become apparent within [\*\*\*] after Delivery of the affected Aircraft (“**Warranty Period**”), save as provided for in clause 12.1.9.

**12.1.4 Buyer’s Remedy and Seller’s Obligation**

12.1.4.1 [\*\*\*]

12.1.4.2 In the event of a defect covered by sub-Clauses 12.1.1 (iii), 12.1.1 (iv) and 12.1.2 (ii) becoming apparent within the Warranty Period and the Seller being obliged to correct such defect, the Seller shall also, if so requested by the Buyer, make such correction in any Aircraft which has not yet been delivered to the Buyer; provided, however,

- (i) that the Seller shall not be responsible nor deemed to be in default on account of any delay in delivery of any Aircraft or otherwise, in respect of the performance of this Agreement due to the Seller’s undertaking to make such correction and provided further
- (ii) that, rather than accept a delay in the Delivery of any such Aircraft, the Buyer may accept Delivery of such Aircraft with subsequent correction of the defect by the Buyer at the Seller’s expense, or the Buyer may elect to accept Delivery and thereafter file a warranty claim as though the defect had become apparent immediately after Delivery of such Aircraft.

In case a defect occurs immediately after Delivery of an Aircraft and before commencement of operations of such Aircraft, regardless of the manufacturer of such part the Seller shall provide full support as per the AOG desk function.

12.1.4.3 In addition to the remedies set forth in Clauses 12.1.4.1 and 12.1.4.2, the Seller shall reimburse the direct labor costs spent by the Buyer in performing inspections of the Aircraft to determine whether or not a defect exists in any Warranted Part within the Warranty Period or until the corrective technical solution removing the need for the inspection is provided by the Seller.

The above commitment is subject to the following conditions:

- (i) such inspections are recommended by a Seller Service Bulletin to be performed within the Warranty Period;

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- (ii) the reimbursement shall not apply for any inspections performed as an alternative to accomplishing corrective action when such corrective action has been made available to the Buyer and such corrective action could have reasonably been accomplished by the Buyer at the time such inspections are performed or earlier,
- (iii) the labor rate to be used for the reimbursement shall be labor rate defined in Clause 12.1.7, and
- (iv) the manhours used to determine such reimbursement shall not exceed the Seller's estimate of the manhours required by the Buyer for such inspections.

12.1.5 **Warranty Claim Requirements**

Each Buyer's warranty claim ("**Warranty Claim**") shall be considered by the Seller only if the following conditions are first fulfilled:

- (i) the defect having become apparent within the Warranty Period;
- (ii) the Buyer having submitted to the Seller proof reasonably satisfactory to the Seller that the claimed defect is due to a matter embraced within this Clause 12.1, and that such defect has not resulted from any act or omission of the Buyer, including but not limited to, any failure to operate and maintain the affected Aircraft or part thereof in accordance with the standards set forth or any matter covered in Clause 12.1.10;
- (iii) the Buyer having returned as soon as practicable the Warranted Part claimed to be defective to the repair facilities as may be designated by the Seller, except when the Buyer elects to repair a defective Warranted Part in accordance with the provisions of Clause 12.1.7;
- (iv) the Seller having received a Warranty Claim as set forth in Clause 12.1.6.

12.1.6 **Warranty Administration**

The warranties set forth in Clause 12.1 shall be administered as hereinafter provided for:

(i) **Claim Determination**

Warranty Claim determination by the Seller shall be reasonably based upon the claim details, reports from the Seller's local representative, historical data logs, inspection, tests, findings during repair, defect analysis and other suitable documents.

(ii) **Transportation Costs**

Transportation costs for sending a defective Warranted Part to the facilities designated by the Seller and for the return therefrom of a repaired or replaced Warranted Part shall be borne by the Seller, except that the Buyer will use its own network facilities, free of charge to the Seller, to transport the Warranted Part to the nearest point within the Buyer's network to the final destination of the shipment. For transportation from there on the Seller shall provide the Buyer with its own shipment agent account, the necessary details to be communicated to the Buyer prior to the shipment.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



(iii) **Return of an Aircraft**

In the event of the Buyer desiring to return an Aircraft to the Seller for consideration of a Warranty Claim, the Buyer shall notify the Seller of its intention to do so and the Seller shall, prior to such return, have the right to inspect such Aircraft and thereafter, without prejudice to its rights hereunder, to repair such Aircraft, at its sole option, either at the Buyer's facilities or at another place acceptable to the Seller.

Return of any Aircraft by the Buyer to the Seller and return of such Aircraft to the Buyer's facilities shall be at the Seller's expense, provided however that the Seller will only bear the expenses of such flights necessary to return the Aircraft not having a commercial nature (i.e. passenger or freight). The expenses credited by the Seller are limited to the direct out-of-pocket costs (such as fuel, oil and landing / navigation fees) incurred in ferrying the Aircraft to the Seller and back to the Buyer's facility. The Buyer shall minimize the lengths of those flights, meaning commercial flights shall be scheduled where reasonably practicable but shall not result in increased costs or loss to the Buyer.

(iv) **On-Aircraft Work by the Seller**

In the event that a defect subject to this Clause 12.1 may justify the dispatch by the Seller of a working team to repair or correct such defect through the embodiment of one or several Seller's Service Bulletins at the Buyer's facilities, or in the event of the Seller accepting the return of an Aircraft to perform or have performed such repair or correction, [\*\*\*].

The conditions which have to be fulfilled for on-Aircraft work by the Seller are the following:

- (i) in the opinion of the Seller, the work necessitates the technical expertise of the Seller as manufacturer of the Aircraft.
- (ii) [\*\*\*]

If one or both of the above conditions are fulfilled and if the Seller is requested to perform the work, the Seller and the Buyer shall agree on a schedule and place for the work to be performed.

(v) **Warranty Claim Substantiation**

In connection with each claim by the Buyer made under this Clause 12.1, the Buyer shall file a Warranty Claim on the Buyer's form within [\*\*\*] after a defect became apparent. Such form must contain at least the following data:

- a) description of defect and action taken, if any,
- b) date of incident and/or removal date,

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- c) description of the defective part,
- d) part number,
- e) serial number (if applicable),
- f) position on Aircraft,
- g) total flying hours or calendar time, as applicable at the date of defect appearance,
- h) time since last shop visit at the date of defect appearance (if applicable),
- i) manufacturer serial number (“**Manufacturer’s Serial Number**”) of the Aircraft and/or its registration,
- j) Aircraft total flying hours and/or number of landings at the date of defect appearance,
- k) Warranty Claim number,
- l) date of Warranty Claim,
- m) delivery date of Aircraft or part to the Buyer,

Warranty Claims are to be addressed as follows:

AIRBUS  
 CUSTOMER SERVICES DIRECTORATE  
 WARRANTY ADMINISTRATION  
 Rond-Point Maurice Bellonte  
 B.P. 33  
 F-31707 BLAGNAC CEDEX  
 FRANCE

(vi) **Replacements**

Components, equipment, accessories or parts, which the Seller has replaced pursuant to this Clause, shall become the Seller’s property. The replacement components, equipment, accessories or parts provided by the Seller to the Buyer pursuant to this Clause shall become the Buyer’s property.

(vii) **Seller’s Rejection**

The Seller shall provide reasonable written substantiation in case of rejection of a Warranty Claim. In such event the Buyer shall refund to the Seller reasonable inspection and test charges incurred in connection therewith.

(viii) **Seller’s Inspection**

The Seller shall have the right to inspect the affected Aircraft and documents and other records relating thereto in the event of any Warranty Claim under this Clause 12.1.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.1.7 **Inhouse Warranty**

(i) **Seller's Authorization**

The Seller hereby authorizes the Buyer to perform the repair of Warranted Parts (“**Inhouse Warranty**”) subject to the terms of this Clause 12.1.7.

(ii) **Conditions for Seller's Authorization**

The Buyer shall be entitled to repair such Warranted Parts only:

- if the Buyer notifies the Seller's Representative of its intention to perform Inhouse Warranty repairs before any such repairs are started. The Buyer's notification shall include sufficient detail regarding the defect, estimated labor hours and material to allow the Seller to ascertain the reasonableness of the estimate. The Seller agrees to use all reasonable efforts to ensure a prompt response and shall not unreasonably withhold authorization;
- if adequate facilities and qualified personnel are available to the Buyer;
- in accordance with the Seller's written instructions set forth in the applicable Seller's technical documentation;
- to the extent specified by the Seller, or, in the absence of such specification, to the extent reasonably necessary to correct the defect, in accordance with the standards set forth in Clause 12.1.10.

(iii) **Seller's Rights**

The Seller shall further have, at its own expense, the right to have any Warranted Part, or any part removed therefrom, claimed to be defective, returned to the Seller, as set forth in sub-Clause 12.1.6 (ii) if, in the judgement of the Seller, the nature of the defect requires technical investigation. The Seller shall further have the right, at its own expense, to have a representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective, subject to its presence being practical and not unduly delaying the repair.

(iv) **Inhouse Warranty Claim Substantiation**

Claims for Inhouse Warranty credit shall contain the same information as that required for Warranty Claims under sub-Clause 12.1.6 (v) and in addition shall include:

- a) a report of technical findings with respect to the defect,
- b) for parts required to remedy the defect:
  - part numbers,
  - serial numbers (if applicable),
  - parts description,
  - quantity of parts,

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- unit price of parts,
- related Seller's or third party's invoices (if applicable),
- total price of parts,
- c) detailed number of labor hours,
- d) Inhouse Warranty Labor Rate,
- e) total claim value.

(v) **Credit**

The Buyer's account shall be credited with an amount equal to the mutually agreed direct labor costs expended in performing the repair of a Warranted Part and to the direct costs of materials incorporated in said repair.

- For the determination of direct labor costs only manhours spent on removal from the Aircraft, disassembly, inspection, repair, reassembly, and final inspection and test of the Warranted Part and reinstallation thereof on the Aircraft are permissible. Any manhours required for maintenance work concurrently being carried out on the Aircraft or Warranted Part are not included.
- The manhours permissible above shall be multiplied by an agreed labor rate of US Dollars [\*\*\*], ("**Inhouse Warranty Labour Rate**") and representing the Buyer's composite labor rate meaning the average hourly rate (excluding all fringe benefits, premium time allowances, social charges, business taxes and the like) paid to the Buyer's employees whose jobs are directly related to the performance of the repair.

The Inhouse Warranty Labor Rate is subject to annual adjustment by multiplication by the ratio [\*\*\*] defined in the Seller's Price Revision Formula set forth in Exhibit C to the Agreement.

- Direct material costs are determined by the prices at which the Buyer acquired such material, excluding any parts and materials used for overhaul and as may be furnished by the Seller at no charge.

(vi) **Limitation**

[\*\*\*]

(vii) **Scrapped Material**

The Buyer shall retain any defective Warranted Part beyond economic repair and any defective part removed from a Warranted Part during repair for a period of either [\*\*\*]. Such parts shall be returned to the Seller within [\*\*\*] of receipt of the Seller's request to that effect.

Notwithstanding the foregoing, the Buyer may scrap any such defective parts which are beyond economic repair and not required for technical



evaluation locally with the agreement of the Seller's local representative. Scrapped Warranted Parts shall be evidenced by a record of scrapped material certified by an authorized representative of the Buyer.

12.1.8 **Standard Warranty Transferability**

The warranties provided for in this Clause 12.1 for any Warranted Part shall accrue to the benefit of any airline in revenue service, other than the Buyer, if the Warranted Part enters into the possession of any such airline as a result of a pooling or leasing agreement between such airlines and the Buyer, in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties, and to the extent permitted by any applicable law or regulations.

12.1.9 **Warranty for Corrected, Replaced or Repaired Warranted Parts**

Whenever any Warranted Part which contains a defect for which the Seller is liable under Clause 12.1 has been corrected, replaced or repaired pursuant to the terms of this Clause 12.1, the period of the Seller's warranty with respect to such corrected, replaced or repaired Warranted Part whichever may be the case, shall be the greater of 18 months from the date of such repair or replacement, or the remaining portion of the original warranty.

12.1.10 **Accepted Industry Standard Practices - Normal Wear and Tear**

The Buyer's rights under this Clause 12.1 are subject to the Aircraft and each component, equipment, accessory and part thereof being maintained, overhauled, repaired, and operated in accordance with accepted industry standard practices, all technical documentation and any other instructions issued by the Seller and the Suppliers and the Engine Manufacturer and all applicable rules, regulations and directives of relevant Aviation Authorities.

12.1.10.1 The Seller's liability under this Clause 12.1 shall not extend to normal wear and tear nor to:

- (i) any Aircraft or component, equipment, accessory or part thereof which has been repaired, altered or modified after Delivery except by the Seller or in a manner approved by the Seller or the relevant Supplier;
- (ii) any Aircraft or component, equipment, accessory or part thereof which has been knowingly operated in a damaged state;
- (iii) any component, equipment, accessory and part from which the trademark, name, part or serial number or other identification marks have been removed deliberately;

unless in any such case (except in the case of (iii) above) the Buyer submits reasonable evidence to the Seller that the defect did not arise from or was not contributed to by any one or more of the said causes.

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**12.2 Seller Service Life Policy**

12.2.1 In addition to the warranties set forth in Clause 12.1, the Seller further agrees that should any item listed in Exhibit “F” (“**Item**”) sustain any breakage or defect which can reasonably be expected to occur on a fleetwide basis, and which materially impairs the utility of the Item (“**Failure**”), and subject to the general conditions and limitations set forth in Clause 12.2.4, then the provisions of this Clause 12.2 (“**Seller Service Life Policy**”) shall apply.

**12.2.2 Periods and Seller’s Undertakings**

The Seller agrees that if a Failure occurs in an Item before the Aircraft in which such Item has been originally installed has completed [\*\*\*] after the Delivery of said Aircraft to the Buyer, , the Seller shall at its own discretion and as promptly as practicable and with the Seller’s financial participation as hereinafter provided either:

12.2.2.1 design and furnish to the Buyer a correction for such Item with a Failure and provide any parts required for such correction (including Seller designed standard parts but excluding industry standard parts), or,

12.2.2.2 replace such Item.

**12.2.3 Seller’s Participation in the Costs**

Any part or Item which the Seller is required to furnish to the Buyer under this Service Life Policy in connection with the correction or replacement of an Item shall be furnished to the Buyer with the Seller’s financial participation determined in accordance with the following formula:

[\*\*\*]

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





12.2.4 **General Conditions and Limitations**

12.2.4.1 The undertakings given in this Clause 12.2 shall be valid after the period of the Seller's warranty applicable to an Item under Clause 12.1.

12.2.4.2 The Buyer's remedy and the Seller's obligation and liability under this Service Life Policy are subject to the prior compliance by the Buyer with the following conditions:

- (i) the Buyer shall maintain log books and other historical records in accordance with the applicable Aviation Authority requirements with respect to each Item adequate to enable determination of whether the alleged Failure is covered by this Service Life Policy and if so to define the costs to be borne by the Seller in accordance with Clause 12.2.3;
- (ii) the Buyer shall keep the Seller informed of any significant incidents relating to an Aircraft howsoever occurring or recorded;
- (iii) the Buyer shall comply with the conditions of Clause 12.1.10;
- (iv) the Buyer shall carry out specific structural inspection programs for monitoring purposes as may be established from time to time by the Seller. Such programs shall be as compatible as possible with the Buyer's operational requirements and shall be carried out at the Buyer's expense. Reports relating thereto shall be regularly furnished to the Seller;
- (v) in the case of any breakage or defect, the Buyer must have reported the same in writing to the Seller within sixty (60) days after any breakage or defect in an Item becomes apparent whether or not said breakage or defect can reasonably be expected to occur in any other aircraft, and the Buyer shall have informed the Seller of the breakage or defect in sufficient detail to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.

12.2.4.3 Except as otherwise provided for in this Clause 12.2, any claim under this Service Life Policy shall be administered as provided for in and shall be subject to the terms and conditions of Clause 12.1.6.

12.2.4.4 In the event that the Seller shall have issued a modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit free of charge or under a pro rata formula. If such a kit is so offered to the Buyer, then, to the extent of such Failure and any Failures that could ensue therefrom, the validity of the Seller's commitment under this Clause 12.2 shall be subject to the Buyer's incorporating such modification in the relevant Aircraft, as promulgated by the Seller and in accordance with the Seller's instructions, within a reasonable time.

12.2.4.5 This Service Life Policy is neither a warranty, performance guarantee, nor an agreement to modify any Aircraft or airframe components to conform to new developments occurring in the state of airframe design and manufacturing art.

The Seller's obligation herein is to furnish only those corrections to the Items or provide replacement therefor as provided for in Clause 12.2.3.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The Buyer's sole remedy and relief for the non-performance of any obligation or liability of the Seller arising under or by virtue of this Service Life Policy shall be in monetary damages, limited to the amount the Buyer reasonably expends in procuring a correction or replacement for any Item which is the subject of a Failure covered by this Service Life Policy and to which such non-performance is related.

The Buyer hereby waives, releases and renounces all claims to any further damages, direct, incidental or consequential, including loss of profits and all other rights, claims and remedies, arising under or by virtue of this Service Life Policy.

12.2.5 **Transferability**

The Buyer's rights under this Clause 12.2 shall not be assigned, sold, leased, transferred or otherwise alienated by operation of law or otherwise, without the Seller's prior consent thereto, which shall not be unreasonably withheld and shall be given in writing.

Any unauthorized assignment, sale, lease, transfer or other alienation of the Buyer's rights under this Service Life Policy shall, as to the particular Aircraft involved, immediately void this Service Life Policy in its entirety.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



### 12.3 Supplier Product Support Agreements

Prior to the Delivery of the first Aircraft, the Seller shall provide the Buyer with such warranties and service life policies that the Seller has obtained pursuant to the Supplier Product Support Agreement. Should the Seller obtain Supplier Product Support Agreements for BFE, it shall transfer such agreements to the Buyer.

#### 12.3.1 Definitions

12.3.1.1 “**Supplier**” means any supplier of Supplier Parts.

12.3.1.2 “**Supplier Part**” means any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof as to which there exists a Supplier Product Support Agreement. However, the Engines and Buyer Furnished Equipment and other equipment selected by the Buyer to be supplied by Suppliers with whom the Seller has no existing enforceable warranty agreements are not Supplier Parts.

12.3.1.3 “**Supplier Product Support Agreement**” means an agreement between the Seller and a Supplier containing enforceable and transferable warranties and in the case of landing gear suppliers, service life policies for selected structural landing gear elements.

#### 12.3.2 Supplier’s Default

12.3.2.1 In the event of any Supplier, under any standard warranty obtained by the Seller pursuant to Clause 12.3.1, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.1 shall apply to the extent the same would have been applicable had such Supplier Part been a Warranted Part, except that the Supplier’s warranty period as indicated in the Supplier Product Support Agreement shall apply.

12.3.2.2 In the event of any Supplier, under any Supplier Service Life Policy obtained by the Seller pursuant to Clause 12.3.1, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.2 shall apply to the extent the same would have been applicable had such Supplier Item been listed in Exhibit F, Seller Service Life Policy, except that the Supplier’s Service Life Policy period as indicated in the Supplier Product Support Agreement shall apply.

12.3.2.3 At the Seller’s request, the Buyer shall assign to the Seller, and the Seller shall be subrogated to, all of the Buyer’s rights against the relevant Supplier with respect to and arising by reason of such default and shall provide reasonable assistance to enable the Seller to enforce the rights so assigned.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**12.4 Interface Commitment**

**12.4.1 Interface Problem**

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction, the cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer, but which the Buyer reasonably believes to be attributable to the design characteristics of one or more components of the Aircraft (“**Interface Problem**”), the Seller shall, if so requested by the Buyer, and without additional charge to the Buyer except for transportation of the Seller’s personnel to the Buyer’s facilities (which shall be reimbursed to the Buyer if the Interface Problem is found attributable to the design of such component), promptly conduct or have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and to recommend such corrective action as may be feasible. The Buyer shall furnish to the Seller all data and information in the Buyer’s possession relevant to the Interface Problem, and shall cooperate with the Seller in the conduct of the Seller’s investigations and such tests as may be required.

At the conclusion of such investigation the Seller shall promptly advise the Buyer in writing of the Seller’s opinion as to the cause or causes of the Interface Problem and the Seller’s recommendations as to corrective action.

**12.4.2 Seller’s Responsibility**

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller shall, if so requested by the Buyer and pursuant to the terms and conditions of Clause 12.1, correct the design of such Warranted Part to the extent of the Seller’s obligation as defined in Clause 12.1.

**12.4.3 Supplier’s Responsibility**

If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller shall, if so requested by the Buyer, reasonably assist the Buyer in processing any warranty claim the Buyer may have against the Supplier.

**12.4.4 Joint Responsibility**

If the Seller determines that the Interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller shall, if so requested by the Buyer, seek a solution to the Interface Problem through cooperative efforts of the Seller and any Supplier involved.

The Seller shall promptly advise the Buyer of such corrective action as may be proposed by the Seller and any such Supplier. Such proposal shall be consistent with any then existing obligations of the Seller hereunder and of any such Supplier to the Buyer. Such corrective action when accepted by the Buyer shall constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



12.4.5 **General**

- 12.4.5.1 All requests under this Clause 12.4 shall be directed to both the Seller and the Supplier.
- 12.4.5.2 Except as specifically set forth in this Clause 12.4, this Clause shall not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Clause 12.
- 12.4.5.3 All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Clause 12.4 shall be deemed to be delivered under this Agreement and shall be subject to the terms, covenants and conditions set forth in this Clause 12.

12.5 **Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 12 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, ITS SUPPLIERS AND/OR THEIR INSURERS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE OR DATA DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER’S AND/OR ITS SUPPLIERS’ NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE OR DATA DELIVERED UNDER THIS AGREEMENT.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE OR DATA DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 12.5, “THE SELLER” SHALL INCLUDE THE SELLER, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**12.6 Duplicate Remedies**

The Seller shall not be obliged to provide any remedy which duplicates any other remedy already provided to the Buyer in respect of the same defect under any part of this Clause 12 as such Clause may be amended, complemented or supplemented by other contractual agreements or by other Clauses of this Agreement.

**12.7 Negotiated Agreement**

The Buyer specifically recognises that:

- (i) the Specification has been agreed upon after careful consideration by the Buyer using its judgment as a professional operator of and maintenance provider with respect to aircraft used in public transportation and as such is a professional within the same industry as the Seller;
- (ii) this Agreement, and in particular this Clause 12, has been the subject of discussion and negotiation and is fully understood by the Buyer;
- (iii) the price of the Aircraft and the other mutual agreements of the Buyer set forth in this Agreement were arrived at in consideration of, inter alia, the provisions of this Clause 12, specifically including the waiver, release and renunciation by the Buyer set forth in Clause 12.5.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



13 **PATENT AND COPYRIGHT INDEMNITY**

13.1 **Indemnity**

13.1.1 Subject to the provisions of Clause 13.2.3, the Seller shall indemnify the Buyer from and against any damages, costs or expenses including legal costs (excluding damages, costs, expenses, loss of profits and other liabilities in respect of or resulting from loss of use of the Aircraft) resulting from any infringement or claim of infringement by the Airframe (or any part or software installed therein at Delivery) of:

(i) any British, French, German, Spanish or U.S. patent;

and

(ii) any patent issued under the laws of any other country in which the Buyer may lawfully operate the Aircraft, provided that:

(1) from the time of design of such Airframe, accessory, equipment or part and until infringement claims are resolved, such country and the flag country of the Aircraft are each a party to the Chicago Convention on International Civil Aviation of December 7, 1944, and are each fully entitled to all benefits of Article 27 thereof,

or in the alternative,

(2) from such time of design and until infringement claims are resolved, such country and the flag country of the Aircraft are each a party to the International Convention for the Protection of Industrial Property of March 20, 1883 (“Paris Convention”);

and

(iii) in respect of computer software installed on the Aircraft, any copyright, provided that the Seller’s obligation to indemnify shall be limited to infringements in countries which, at the time of infringement, are members of The Berne Union and recognise computer software as a “work” under the Berne Convention.

13.1.2 Clause 13.1.1 shall not apply to

(i) Buyer Furnished Equipment or Engines; or

(ii) parts not supplied pursuant to a Supplier Product Support Agreement; or

(iii) software not created by the Seller.

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- 13.1.3 In the event that the Buyer is prevented from using the Aircraft (whether by a valid judgement of a court of competent jurisdiction or by a settlement arrived at between claimant, Seller and Buyer), the Seller shall at its expense either:
- (i) procure for the Buyer the right to use the same free of charge to the Buyer; or
  - (ii) replace the infringing part of the Aircraft as soon as possible with a non-infringing substitute complying in all other respects with the requirements of this Agreement.

13.2 **Administration of Patent and Copyright Indemnity Claims**

13.2.1 If the Buyer receives a written claim or a suit is threatened or commenced against the Buyer for infringement of a patent or copyright referred to in Clause 13.1, the Buyer shall:

- (i) forthwith notify the Seller giving particulars thereof;
- (ii) furnish to the Seller all data, papers and records within the Buyer's control or possession relating to such patent or claim;
- (iii) refrain from admitting any liability or making any payment or assuming any expenses, damages, costs or royalties or otherwise acting in a manner prejudicial to the defense or denial of such suit or claim provided always that nothing in this sub-Clause (iii) shall prevent the Buyer from paying such sums as may be required in order to obtain the release of the Aircraft, provided such payment is accompanied by a denial of liability and is made without prejudice;
- (iv) fully co-operate with, and render all such assistance to, the Seller as may be pertinent to the defense or denial of the suit or claim;
- (v) act in such a way as to mitigate damages and / or to reduce the amount of royalties which may be payable as well as to minimise costs and expenses.

13.2.2 The Seller shall be entitled either in its own name or on behalf of the Buyer to conduct negotiations with the party or parties alleging infringement and may assume and conduct the defense or settlement of any suit or claim in the manner which, in the Seller's opinion, it deems proper.

13.2.3 The Seller's liability hereunder shall be conditional upon the strict and timely compliance by the Buyer with the terms of this Clause and is in lieu of any other liability to the Buyer express or implied which the Seller might incur at law as a result of any infringement or claim of infringement of any patent or copyright.

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**14. TECHNICAL DATA AND SOFTWARE SERVICES**

14.A TECHNICAL DATA

14.B SOFTWARE SERVICES

14.C GENERAL PROVISIONS

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**14A TECHNICAL DATA**

**14A.1 Scope**

This Clause covers the terms and conditions for the supply of technical data (“hereinafter “**Technical Data**”) to support the Aircraft operation.

14A.1.1 The Technical Data shall be supplied in the English language using the aeronautical terminology in common use.

14A.1.2 Range, form, type, format, quantity and delivery schedule of the Technical Data to be provided under this Agreement are outlined in Exhibit G hereto.

**14A.2 Aircraft Identification for Technical Data**

14A.2.1 For those Technical Data that are customized to the Buyer’s Aircraft, the Buyer agrees to the allocation of fleet serial numbers (“**Fleet Serial Numbers**”) in the form of block of numbers selected in the range from 001 to 999.

14A.2.2 The sequence shall not be interrupted except if two (2) different Propulsion Systems or two (2) different Aircraft models are selected.

14A.2.3 The Buyer shall indicate to the Seller the Fleet Serial Number allocated to each Aircraft corresponding to the delivery schedule set forth in Clause 9.1.1 within forty-five (45) days after execution of this Agreement. Neither such Fleet Serial Numbers nor the subsequent allocation of the Fleet Serial Numbers to Manufacturer Serial Numbers for the purpose of producing customized Technical Data shall constitute any property, insurable or other interest of the Buyer whatsoever in any Aircraft prior to the Delivery of such Aircraft as provided for in this Agreement.

The affected customized Technical Data are:

- Aircraft Maintenance Manual,
- Illustrated Parts Catalog,
- Trouble Shooting Manual,
- Aircraft Wiring Manual,
- Aircraft Schematics Manual,
- Aircraft Wiring Lists.

**14A.3 Integration of Equipment Data**

**14A.3.1 Supplier Equipment**

Information relating to Supplier equipment that is installed on the Aircraft by the Seller shall be introduced into the customized Technical Data to the extent necessary for the comprehension of the affected systems, at no additional charge to the Buyer for the initial issue of the Technical Data provided at first Aircraft Delivery (“the Basic Issue”).

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**14A.3.2 Buyer Furnished Equipment**

- 14A.3.2.1 The Seller shall introduce data relative to Buyer Furnished Equipment, for equipment that is installed on the Aircraft by the Seller (hereinafter “BFE Data”), into the customized Technical Data at no additional charge to the Buyer for the Technical Data Basic Issue, provided such data is provided in accordance with the conditions set forth in Clauses 14A.3.2.2 through 14A.3.2.6 hereunder.
- 14A.3.2.2 The Buyer shall supply the BFE Data to the Seller at least six (6) months before the scheduled delivery of the customized Technical Data.
- 14A.3.2.3 The BFE Data shall be supplied in English Language and shall be established in compliance with the then applicable revision of ATA iSpecification 2200 (iSpec 2200), Information Standards for Aviation Maintenance.
- 14A.3.2.4 The Buyer and the Seller shall agree on the requirements for the provision to the Seller of BFE Data for “on-aircraft maintenance”, such as but not limited to timeframe, media and format, for integration of such BFE Data into Technical Data, with the aim of managing the BFE Data integration process in an efficient, expedite and economic manner.
- 14A.3.2.5 The BFE Data shall be delivered in digital format (SGML) and/or in Portable Document Format (PDF), as agreed between the Buyer and the Seller.
- 14A.3.2.6 All costs related to the delivery to the Seller of the applicable BFE Data shall be borne by the Buyer.

**14A.4 Supply**

- 14A.4.1 Technical Data shall be supplied on-line and/or off-line, as set forth in Exhibit G hereto.
- 14A.4.2 The Buyer shall not receive any credit or compensation for any unused or only partially used Technical Data supplied pursuant to this Clause.
- 14A.4.3 Delivery
  - 14A.4.3.1 For Technical Data provided off-line, such Technical Data and corresponding revisions shall be sent to up to two (2) addresses as indicated by the Buyer.
  - 14A.4.3.2 In such case, the Buyer shall deliver the Technical Data at the Buyer’s named place of destination under DDU conditions. The term Delivery Duty Unpaid (DDU) is defined by publication n° 560 of the International Chamber of Commerce, published in January 2000.
  - 14A.4.3.3 The Technical Data shall be delivered according to a mutually agreed schedule to correspond with Aircraft Deliveries. The Buyer shall provide no less than [\*\*\*]notice when requesting a change to such delivery schedule.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



14A.4.4 It shall be the responsibility of the Buyer to coordinate and satisfy local Aviation Authorities' needs for Technical Data. Reasonable quantities of such Technical Data shall be supplied by the Seller [\*\*\*] at the Buyer's named place of destination.

**14A.5 Revision Service**

Unless otherwise specifically stated, revision service for the Technical Data shall be provided [\*\*\*] (the "Revision Service Period").

Thereafter revision service shall be provided in accordance with the terms and conditions set forth in the Seller's then current Customer Services Catalog.

Mandatory changes shall be incorporated into the Technical Publications [\*\*\*].

**14A.6 Service Bulletins (SB) Incorporation**

During the Revision Service Period and upon the Buyer's request for incorporation of Seller Service Bulletin information into the Technical Data, which shall be made within two years after issuance of the applicable Service Bulletin, such information shall be incorporated into the Technical Data for the Buyer's Aircraft after formal notification by the Buyer of its intention to accomplish a Service Bulletin. The split effectivity for the corresponding Service Bulletin shall remain in the Technical Data until notification from the Buyer that embodiment has been completed on all of the Buyer's Aircraft. The foregoing is applicable for Technical Data relating to maintenance only. For operational Technical Data either the pre or post Service Bulletin status shall be shown.

**14A.7 Technical Data Familiarization**

Upon request by the Buyer, the Seller [\*\*\*].

**14A.8 Customer Originated Changes (COC)**

In the event of the Buyer wishing to introduce Buyer originated data (hereinafter "COC Data") into any of the customized Technical Data that are identified as eligible for such incorporation in the Seller's then current Customer Services Catalog, the Buyer shall notify the Seller of such intention.

The incorporation of any COC Data as aforesaid shall be performed under the methods and tools for achieving such introduction and the conditions specified in the Seller's then current Customer Services Catalog.

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**14A.9 AirN@v Services**

14A.9.1 The Technical Data listed herebelow shall be provided through an advanced consultation tool (hereinafter referred to as “AirN@v Services”). The affected Technical Data are the following:

**- AirN@v/Maintenance:**

- Aircraft Maintenance Manual,
- Illustrated Parts Catalog (Airframe/ Powerplant),
- Trouble Shooting Manual,
- Aircraft Schematics Manual,
- Aircraft Wiring Lists,
- Aircraft Wiring Manual,
- Electrical Standard Practices Manual.

**- AirN@v/Associated Data:**

- Consumable Material List,
- Standards Manual.

**- AirN@v/Engineering**

14A.9.2 The licencing conditions for the use of AiN@v Services shall be as set forth in Part 1 of Exhibit I to the Agreement, “Licence for Use of Software”.

14A.9.3 The licence to use AirN@v Services as described above [\*\*\*]. At the end of such Revision Service Period, the yearly revision service for AirN@v Services based products and the associated licence fee shall be provided to the Buyer at the standard commercial conditions set forth in the Seller’s then current Customer Services Catalog.

**14A.10 On-Line Technical Data**

14A.10.1 The Technical Data defined in Exhibit “G” as being provided on-line shall be made available to the Buyer through the Secure Area of the Airbus customer portal AirbusWorld (“AirbusWorld”), as further described in Part 2 of Exhibit I to the Agreement.

14A.10.2 Such provision [\*\*\*] for such Technical Data in accordance with Clause 14A.5.

14A.10.3 Access to the Secure Area shall be subject to the “General Terms and Conditions of Access to and Use of the Secure Area of AirbusWorld” (hereinafter the “GTC”), as set forth in Part 4 of Exhibit I to this Agreement.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



14A.10.4 The list of the Technical Data provided on-line may be extended from time to time.

For any Technical Data which is or becomes available on-line, the Seller reserves the right to suppress other formats for the concerned Technical Data.

14A.10.5 Access to the Secure Area [\*\*\*] of the Buyer's users (including one Buyer Administrator) for the Technical Data related to the Aircraft which shall be operated by the Buyer.

14A.10.6 For the sake of clarification, it is hereby specified that Technical Data accessed through the Secure Area - which access shall be covered by the terms and conditions set forth in the GTC - shall remain subject to the conditions of this Clause 14A.

In addition, should the Secure Area provide access to Technical Data in software format, the use of such software shall be further subject to the conditions of Part 1 of Exhibit I to the Agreement.

#### 14A.11 Warranties

14A.11.1 The Seller warrants that the Technical Data are prepared in accordance with the state of art at the date of their conception. Should any Technical Data prepared by the Seller contain error, omission, non-conformity or defect, the sole and exclusive liability of the Seller shall be to take all reasonable and proper steps to correct such Technical Data. Notwithstanding the above, no warranties of any kind shall be given for the Customer Originated Changes, as set forth in Clause 14A.8.

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER (AS DEFINED BELOW FOR THE PURPOSES OF THIS CLAUSE) AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 14A ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW, CONTRACT OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT OF ANY KIND, IN ANY TECHNICAL DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO:

- A. ANY WARRANTY AGAINST HIDDEN DEFECTS;
- B. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- C. ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE;
- D. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER IN CONTRACT OR IN TORT, WHETHER OR NOT ARISING FROM THE SELLER'S NEGLIGENCE, ACTUAL OR IMPUTED; AND
- E. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM, OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES;

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



PROVIDED THAT, IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE, THE REMAINDER OF THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

FOR THE PURPOSES OF THIS CLAUSE 14A.11, THE “SELLER” SHALL BE UNDERSTOOD TO INCLUDE THE SELLER, ANY OF ITS SUPPLIERS AND SUBCONTRACTORS, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

**14A.12 Proprietary Rights**

14A.12.1 All proprietary rights, including but not limited to patent, design and copyrights, relating to Technical Data shall remain with the Seller and/or its Affiliates as the case may be.

These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer.

14A.12.2 Whenever this Agreement and/or any Technical Data provides for manufacturing by the Buyer, the consent given by the Seller shall not be construed as express or implicit approval howsoever neither of the Buyer nor of the manufactured products. The supply of the Technical Data shall not be construed as any further right for the Buyer to design or manufacture any Aircraft or part thereof or spare part.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**14B SOFTWARE SERVICES**

**14B.1 Performance Engineer's Program**

14B.1.1 In addition to the standard operational Technical Data provided under Clause 14A, the Seller shall provide to the Buyer the Performance Engineer's Programs ("**PEP**") for the Aircraft type covered under this Agreement. Such PEP is composed of software components and databases and its use is subject to the licence conditions set forth in Part 1 of Exhibit I to the Agreement, "Licence for Use of Software".

14B.1.2 Use of the PEP shall be limited to [\*\*\*] for the purpose of computing performance engineering data. The PEP is intended for use on ground only and shall not be embarked on board the Aircraft.

14B.1.3 The licence to use the PEP and the revision service shall be provided [\*\*\*] covered under this Agreement (the "PEP Revision Service Period").

At the end of such PEP Revision Service Period, the above shall be provided to the Buyer at the standard commercial conditions set forth in the Seller's then current Customer Services Catalog.

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"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**14.C GENERAL PROVISIONS**

**14.C.1 Future Developments**

The Seller continuously monitors technological developments and applies them to data, document and information systems' production and methods of transmission.

The Seller shall inform the Buyer in due time of such new developments and their application and of the date by which the same shall be implemented by the Seller.

**14.C.2 Confidentiality**

14.C.2.1 This Clause, the Technical Data, the Software Services and their content are designated as confidential. All such Technical Data and Software Services are provided to the Buyer for the sole use of the Buyer who undertakes not to disclose the contents thereof to any third party without the prior written consent of the Seller, such consent not to be unreasonably withheld or delayed, save as permitted therein or otherwise pursuant to any government or legal requirement imposed upon the Buyer or if such information falls into the public domain other than by unauthorized disclosure by the Buyer.

14.C.2.2 In the event of the Seller having authorized the disclosure of any Technical Data or Software Services to third parties either under this Agreement or by an express prior written authorization, the Buyer hereby undertakes to cause such third party to agree to be bound by the same conditions and restrictions as the Buyer with respect to the disclosed Technical Data or Software Services.

14.C.2.3 Specifically, in the event of the Buyer intending to designate a maintenance and repair organization (MRO) to perform the maintenance of the Aircraft subject of this Agreement, the Buyer shall notify the Seller of such intention prior to any disclosure of this Clause and/or the Technical Data and/or the Software Services to the selected MRO and shall cause such MRO to enter into a confidentiality agreement with the Seller and, in the case of Software Services, appropriate licensing conditions, and to commit to use such Technical Data and Software Services solely for the purpose of maintaining the Buyer's Aircraft.

**14.C.3 Transferability**

Without prejudice to Clause 21.1, the Buyer's rights under this Clause 14 shall not be assigned, sold, transferred, novated or otherwise alienated by operation of law or otherwise, without the Seller's prior written consent thereto, which shall not be unreasonably withheld.

Any unauthorized assignment, sale, transfer, novation or other alienation of the Buyer's rights under this Clause 14 shall, as to the particular Aircraft involved, immediately void this Clause 14 in its entirety.

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**15 SELLER REPRESENTATIVES**

**15.1 Customer Support Director**

The Seller shall [\*\*\*] customer support manager based at the Seller's main office to coordinate customer support matters between the Seller's main office and the Buyer after signature of this Agreement [\*\*\*].

**15.2 Customer Services Representatives**

15.2.1 The Seller shall provide [\*\*\*] the services of Seller customer services representatives (“**Seller's Representatives**”) acting in an advisory capacity as defined in Appendix A of this Clause 15.

15.2.2 In the event of a need for non-routine technical assistance, the Buyer shall have non-exclusive access to the Seller's Representatives closest to the Buyer's main base after the end of the assignment of the Seller's Representatives referred to in Appendix A of this Clause 15. A list of the contacts for the Seller's Representatives closest to the Buyer's main base shall be provided to the Buyer.

15.2.3 The Seller shall cause similar services to be provided by competent representatives of the Engines Manufacturer and by Supplier representatives when reasonably necessary and applicable.

15.2.4 The Seller shall provide to the Buyer an annual written accounting of the consumed man-months and any remaining man-month balance. Such accounting shall be deemed as final and acceptable to the Buyer unless the Seller receives written objection from the Buyer within [\*\*\*] of receipt of such accounting.

15.2.5 If requested by the Buyer, Seller Representative services exceeding the allocation specified in Appendix A of this Clause 15 may be provided by the Seller subject to terms and conditions to be mutually agreed.

**15.3 Buyer's Service**

15.3.1 From the date of arrival of the first of the Seller's Representatives and for the duration of the assignment, the Buyer shall provide [\*\*\*] a suitable lockable office, conveniently located with respect to the Buyer's maintenance facilities, with complete office furniture and equipment including telephone and facsimile connections for the sole use of the Seller's Representatives.

Should the Buyer already provide such facilities through another Purchase Agreement with the Seller, the above Buyer's service may not be provided if they do not appear necessary.

15.3.2 The Buyer shall [\*\*\*], to and from their place of assignment and TOULOUSE, FRANCE.

15.3.3 The Buyer shall also provide [\*\*\*] air transportation, confirmed reservations for the annual vacation of the persons mentioned in sub-Clause 15.2.1 above to and from their place of assignment and the airport on the Buyer's network nearest to TOULOUSE, FRANCE.

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Clause 15 - 1/3

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



15.3.4 Should the Buyer request any of the Seller’s Representatives referred to in Clause 15.2 above, to travel on business to a city other than his usual place of assignment, the Buyer shall be responsible for all related transportation costs and expenses.

15.3.5 The Buyer shall assist the Seller to obtain from the civil authorities of the Buyer’s country those documents which are necessary to permit the Seller’s Representatives to live and work in the Buyer’s country. Failure of the Seller to obtain the necessary documents shall relieve the Seller of any obligation to the Buyer under the provisions of Clause 15.2.

**15.4 Withdrawal of the Seller’s Representatives**

The Seller shall have the right to withdraw its assigned Seller Representatives as it sees fit if conditions arise which are in the Seller’s opinion dangerous to their safety or health or prevent them from fulfilling their contractual tasks.

**15.5 Seller’s Representatives’ Status**

In providing the above technical services, the Seller’s Representatives and other employees are deemed to be acting in an advisory capacity only and at no time shall they be deemed to act as Buyer’s employees or agents, either directly or indirectly.

**15.6 Indemnities**

INDEMNIFICATION PROVISIONS APPLICABLE TO THIS CLAUSE 15 ARE SET FORTH IN CLAUSE 19.

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Clause 15 - 2/3

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX A TO CLAUSE 15

**SELLER REPRESENTATIVE ALLOCATION**

The Seller Representative allocation that is provided to the Buyer pursuant to Clause 15.2 is defined hereunder.

- 1 The Buyer shall be provided a total of [\*\*\*] of Seller Representative services at the Buyer's main base or at other locations to be mutually agreed.
- 2 For clarification, such Seller Representatives' services shall include initial Aircraft Entry Into Service (EIS) assistance and sustaining support services.
- 3 The number of the Seller's Representatives assigned to the Buyer at any one time shall be mutually agreed, but at no time shall it exceed [\*\*\*] men.
- 4 Absence of an assigned Seller's Representative during normal statutory vacation periods are covered by the Seller's Representatives as defined in Clause 15.2.2 and as such are accounted against the total allocation provided in item 1 above.

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Clause 15 - 3/3

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16 TRAINING AND TRAINING AIDS**

**16.1 General**

This Clause 16 covers the terms and conditions for the supply of training and training aids for the Buyer’s personnel to support the Aircraft operation.

**16.2 Scope**

16.2.1 The range and quantity of training and training aids to be provided [\*\*\*] under this Agreement are covered in Appendix A to this Clause 16.

16.2.2.1 With respect to Maintenance Training, training courses shall be provided [\*\*\*].

16.2.2.2 With respect to Flight Operations Training, the quantity of training allocated to each Aircraft shall be provided up to [\*\*\*].

16.2.3 In the event that the Buyer should use none or only part of the training or training aids to be provided pursuant to this Clause 16, no compensation or credit of any sort shall be provided.

**16.3 Training Organisation / Location**

16.3.1 The Seller shall provide training at its training center in Blagnac, France, or in Hamburg, Germany (each the “**Seller’s Training Center**”) or one of its affiliated training centers in Miami, U.S.A., or any other future Seller’s training center in Europe or the Americas (the “**Affiliated Training Centers**”).

16.3.2 In the event of the non-availability of facilities or scheduling imperatives making training by the Seller impractical, the Seller shall make arrangements for the provision to the Buyer of such training support elsewhere.

16.3.3.1 Upon the Buyer’s request, the Seller may also provide certain training at a location other than the Seller’s Training Centers or Affiliated Training Centers, including one of the Buyer’s bases, if and when practicable for the Seller, under terms and conditions to be mutually agreed upon. In this event, all additional charges listed in Clause 16.6.2 shall be borne by the Buyer.

16.3.3.2 If the training as set forth in Clause 16.3.3.1 above is either an Airbus EASA – Part 147 (for maintenance training) or a Type Rating Training Organisation (TRTO) (for flight operation training) approved course, the Buyer shall provide access to its training facilities to the Seller’s and the relevant Aviation Authorities’ representatives for the necessary approval of such facilities for the training.

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Clause 16 - 1/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16.4 Training Courses**

16.4.1 Training courses, as well as the minimum and maximum numbers of trainees per course provided for the Buyer's personnel, are defined in the applicable brochure describing the various Seller's training courses (the "**Seller's Training Course Catalog**") and shall be scheduled as mutually agreed upon during a training conference ("the **Training Conference**") to be held between [\*\*\*] of the first Aircraft.

16.4.2 When training is performed by the Seller:

- (i) Training courses shall be the Seller's standard courses as described in the applicable Seller's Training Course Catalog valid at the time of the execution of the course. The Seller shall be responsible for all training course syllabi, training aids and training equipment necessary for the organisation of the training courses; however, for the purpose of performing training, training equipment does not include aircraft;
- (ii) The equipment used for training of flight and maintenance personnel shall not be fully customised, however such equipment and the training curricula used for training of flight and/or maintenance personnel shall be configured in order to obtain the relevant Aviation Authorities' approval and to support the Seller's training programs. Training data and documentation shall not be revised;
- (iii) Training data and documentation for trainees receiving the training at the Seller's Training Centers or Affiliated Training Centers shall be [\*\*\*]. Training data and documentation shall be marked "FOR TRAINING ONLY" and as such are supplied for the sole and express purpose of training;
- (iv) Upon the Buyer's request, the Seller shall collect and pack for consolidated shipment to the Buyer's facility, all training data and documentation of the Buyer's trainees attending training at the Seller's Training Centers or Affiliated Training Centers [\*\*\*] to the Buyer;

The above shipment shall be delivered Free Carrier ("FCA") to the airport closest to the location at which the training actually takes place, as the term Free Carrier ("FCA") is defined by publication N° 560 of the International Chamber of Commerce published in January 2000. Title to and risk of loss of said shipment shall pass to the Buyer upon delivery.

16.4.3 When the Seller's training courses are provided by the Seller's instructors, the Seller shall deliver a Certificate of Recognition, a Certificate of Course Completion or an Attestation, as applicable, at the end of any such training course. Any such certificate shall not represent authority or qualification by any Aviation Authorities but may be presented to such Aviation Authorities in order to obtain relevant formal qualification.

In the event of the training courses being provided by a training provider selected by the Seller, the Seller shall cause such training provider to deliver a Certificate of

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Clause 16 - 2/22

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Recognition, a Certificate of Course Completion or an Attestation, as applicable, at the end of any such training course. Any such certificate shall not represent authority or qualification by any Aviation Authorities but may be presented to such Aviation Authorities in order to obtain relevant formal qualification.

16.4.4 In the event of the Buyer deciding to cancel or re-schedule a training course, if the cancellation is notified [\*\*\*] prior to the training, a cancellation charge of [\*\*\*] of Airbus Customer Services Catalogue price shall be applied.

**16.5 Prerequisites and Conditions**

16.5.1 Training shall be conducted in English and all training aids are written in English using common aeronautical terminology. Trainees shall have the prerequisite knowledge and experience defined in Appendix “B” to this Clause 16.

The Buyer hereby acknowledges that the Seller’s training courses are “Standard Transition Training Courses” and not “Ab Initio Training Courses”.

The Buyer shall be responsible for the selection of the trainees and for any liability with respect to the entry knowledge level of the trainees.

16.5.2.1 The Buyer shall provide the Seller with an attendance list of the trainees for each course with the validated qualification of each trainee. The Seller reserves the right to check the trainees’ proficiency and previous professional experience. The Seller shall in no case warrant or otherwise be held liable for any trainee’s performance as a result of any training provided.

16.5.2.2 The Buyer shall further return to the Seller the “Airbus Pre-Training Survey” or the “Maintenance Training Survey”, as applicable, detailing the trainees’ associated background at the latest [\*\*\*] before the start of the training course.

16.5.2.3 In the event of the Buyer having to make a change to the trainees attendance list within [\*\*\*] period the Buyer shall immediately inform the Seller thereof and send to the Seller an updated Airbus Pre-Training Survey or Maintenance Training Survey reflecting such change.

16.5.3 Upon the Buyer’s request, the Seller may be consulted to direct the above mentioned trainee(s) through a relevant entry level training program, which shall be at the Buyer’s charge, and, if necessary, to coordinate with competent outside organisations for this purpose. Such consultation shall be held during the Training Conference.

In the event of the Seller determining that a trainee lacks the required entry level, following consultation with the Buyer, such trainee shall be withdrawn from the program.

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Clause 16 - 3/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16.6 Logistics**

**16.6.1 Trainees**

- 16.6.1.1 The Seller shall provide at [\*\*\*] rental cars for transportation of the Flight Crew (one car per Flight Crew) for local transportation to the Seller's Training Centers or Affiliated Training Centers.
- 16.6.1.2 The Seller shall provide [\*\*\*], rental cars for transportation of the maintenance trainees ([\*\*\*)] for local transportation to the Seller's Training Centers or Affiliated Training Centers.
- 16.6.1.2 Living and travel expenses for the Buyer's trainees shall be borne by the Buyer.

**16.6.2 Training at External Location - Seller's Instructors**

In the event of training being provided at an external location specifically at the Seller's request, the conditions relative to expenses shall be the same as those which would have been applicable if the training had been provided at the Seller's Training Centers or Affiliated Training Centers.

In the event of training being provided by the Seller's instructors at any location other than the Seller's Training Centers or Affiliated Training Centers at the Buyer's request or as otherwise detailed in this Clause 16, [\*\*\*].

**16.6.2.1 Living Expenses**

Such expenses, covering the entire period from day of departure from to day of return to the Seller's base, shall include but shall not be limited to lodging, food and local transportation to and from the place of lodging and the training course location. The Buyer [\*\*\*].

**16.6.2.2 Air Travel**

The Buyer shall [\*\*\*].

**16.6.2.3 Training Material**

The Buyer shall [\*\*\*].

**16.6.2.4 Transportation**

The Buyer shall be solely liable for any and all delay in the performance of the training outside of the Seller's or the Seller's Affiliated Training Centers associated with any transportation described in this Clause 16.6.

**16.6.3 Training Equipment Availability - Training at External Location**

Training equipment necessary for course performance at any course location other than the Seller's Training Centers or Affiliated Training Centers or the facilities of the training provider selected by the Seller shall be provided by the Buyer in accordance with the Seller's specifications.

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Clause 16 - 4/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**16.7 Flight Operations Training**

**16.7.1 Flight Crew Training Course**

16.7.1.1 The Seller shall perform a flight crew training course program (standard transition course or a cross crew qualification program as applicable) for the Buyer's flight crews, each of which shall consist of [\*\*\*], as defined in Appendix A to this Clause 16. The training manual used shall be the Seller's Flight Crew Operating Manual (FCOM), except for base Flight training, for which the Buyer's customized FCOM shall be used.

**16.7.1.2 Base Flight Training**

16.7.1.2.1 The Buyer shall use its delivered Aircraft, or any other aircraft operated by the Buyer, for any base flight training, which shall not exceed [\*\*\*] per pilot, according to the related Airbus training course definition.

16.7.1.2.2 In the event of it being necessary to ferry the Buyer's delivered Aircraft to the location where the base flight training shall take place, the additional flight time required for the ferry flight to and/or from the base training field shall not be deducted from the base flight training allowance.

However, if the base flight training is performed outside of the zone where the Seller usually performs such training, the ferry flight to the location where the base flight training shall take place shall be performed by a crew composed of the Seller's and/or the Buyer's qualified pilots, in accordance with the Aviation Authorities' regulations related to the place of performance of the base flight training.

**16.7.2 Flight Crew Line Initial Operating Experience**

16.7.2.1 To assist the Buyer with initial operating experience after Delivery of the first Aircraft, the Seller shall provide to the Buyer pilot instructor(s) as defined in Appendix A to this Clause 16.

16.7.2.2 The Buyer shall reimburse the expenses for each such instructor in accordance with Clause 16.6.2. Additional pilot instructors can be provided at the Buyer's expense and upon conditions to be mutually agreed upon.

**16.7.3 Instructor Cabin Attendants' Familiarization Course**

The Seller shall provide instructor cabin attendants' course(s) to the Buyer's cabin attendants, as defined in Appendix A to this Clause 16, at one of the locations defined in Clause 16.3.1.

The instructor cabin attendants' course, when incorporating the features of the Buyer's Aircraft, can be given at the earliest [\*\*\*].

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Clause 16 - 5/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**16.7.4 Performance / Operations Course**

The Seller shall provide performance/operations training for the Buyer's personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Courses Catalog.

**16.7.5 Transition Type Rating Instructor (TRI) Course**

The Seller shall provide transition type rating instructor (TRI) training for the Buyer's flight crew instructors as defined in Appendix A to this Clause 16.

This course provides the Buyer's instructors with the training in flight instruction and synthetic instruction required to instruct on Airbus aircraft.

16.7.6 During any and all flights performed in accordance with this Clause 16.7, the Buyer shall bear full responsibility for the aircraft upon which the flight is performed, including but not limited to any required maintenance, all expenses such as fuel, oil or landing fees and the provision of insurance in line with Clause 16.12.

**16.8 Maintenance Training**

The Seller shall provide maintenance training for the Buyer's ground personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Courses Catalog.

The Buyer shall provide the Seller with an attendance list of trainees at the latest [\*\*\*] before the start of the training course.

The practical training provided in the frame of maintenance training is performed exclusively on the training devices in use in the Seller's Training Centers or Affiliated Training Centers.

In the event of practical training on aircraft being requested by the Buyer, such practical training can be organized with the assistance of the Seller, in accordance with Clause 16.8.1 hereunder.

**16.8.1 Practical Training on Aircraft**

If the practical training does not need to be covered by an EASA – Part 147 (or equivalent) certificate, the Seller may assist the Buyer in organizing such practical training on aircraft, at the Buyer's expense.

In the event of the Buyer requiring a full EASA – Part 147 certificate from the Seller, the practical training on aircraft shall be conducted by the Seller, at the Buyer's expense, in a EASA - Part 145 facility approved and selected by the Seller.

In the event of the Buyer requiring such practical training to be conducted at the Buyer's EASA – Part 145 (or equivalent) approved facilities, such training shall be subject to prior approval by the Seller of the facilities at which the training is to be conducted.

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Clause 16 - 6/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The provision of an instructor by the Seller for the practical training shall be deducted from the trainee days allowance defined in Appendix A to this Clause 16, subject to the conditions detailed in Paragraph 3.2 thereof.

The Buyer shall reimburse the expenses for said instructor(s) in accordance with Clause 16.6.2.

**16.8.2 Line Maintenance Initial Operating Experience Training**

In order to assist the Buyer during the entry into service of the Aircraft, the Seller shall provide to the Buyer maintenance instructor(s) at the Buyer’s base as defined in Appendix A to this Clause 16.

16.8.2.1 This line maintenance training shall cover training in handling and servicing of Aircraft, flight crew / maintenance coordination, use of Technical Data and any other activities that may be deemed necessary after Delivery of the first Aircraft.

16.8.2.2 The Buyer shall [\*\*\*] the expenses for said instructor(s) in accordance with Clause 16.6.2. Additional maintenance instructors can be provided at the Buyer’s expense.

**16.9 Supplier and Propulsion System Manufacturer Training**

The Seller shall ensure that all major Suppliers and the Engine Manufacturer will provide maintenance and overhaul training on their products at appropriate times. Upon the Buyer’s request, the Seller shall provide to the Buyer the list of the maintenance and overhaul training courses (the “Supplier Training Catalog”) provided by major Suppliers and the applicable Engines Manufacturer on their products.

**16.10 Training Aids for the Buyer’s Training Organisation**

16.10.1 The Seller shall provide to the Buyer training aids, including the **Airbus Computer Based Training (Airbus CBT)**, as used in the Seller’s Training Centers, and the **Virtual Aircraft (Walk around and Component Location)**, free of charge as defined in Appendix A to this Clause 16.

The Airbus CBT and training aids supplied to the Buyer shall be similar to those used in the Seller’s Training Centers for the training provided for the Buyer. The Airbus CBT and Virtual Aircraft in use at the Seller’s Training Centers are revised on a regular basis and such revision shall be provided to the Buyer during the period when training courses provided under Appendix A of this Clause 16 are performed for the Buyer or [\*\*\*].

**16.10.2 Delivery**

16.10.2.1 The Seller shall deliver to the Buyer the Airbus CBT and training aids, as defined in Appendix A to this Clause 16, at a date to be mutually agreed during the Training Conference.

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Clause 16 - 7/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



16.10.2.2 The items supplied to the Buyer pursuant to Clause 16.10.1 shall be delivered FCA Toulouse, Blagnac Airport. Title to and risk of loss of said items shall pass to the Buyer upon delivery.

16.10.2.3 All costs related to transportation and insurance of said items from the FCA point to the Buyer's facilities shall be at the Buyer's expense.

**16.10.3 Installation of the Airbus CBT**

16.10.3.1.1 Before the initial delivery of the Airbus CBT, as defined in Appendix A hereto, the Seller shall provide to up to [\*\*\*] of the Buyer, at the Buyer's facilities, the Airbus CBT Administrator Course, as defined in Appendix C hereto.

To conduct the course, the workstations and/or "Servers", as applicable, shall be ready for use and shall comply with the latest "Airbus CBT Workstation Technical Specification" or "Airbus CBT Server Technical Specification", as applicable (collectively "the Airbus CBT Technical Specification").

16.10.3.1.2 The Airbus CBT shall be installed by the Buyer's personnel, who shall have followed the Airbus CBT Administrator Course. The Seller shall be held harmless from any injury to person and/or damage to property caused by or in any way connected with the handling and/or installation of the Airbus CBT by the Buyer's personnel.

16.10.3.2 Upon the Buyer's request and subject to conditions to be quoted by the Seller, the Seller may assist the Buyer with the initial installation of the Airbus CBT at the Buyer's facilities. Such assistance shall follow notification in writing that the various components, which shall be in accordance with the specifications defined in the Airbus CBT Technical Specification, are ready for installation and available at the Buyer's facilities.

16.10.3.3 The Buyer shall reimburse the expenses in accordance with Clause 16.6.2, for the Seller's personnel required at the Buyer's facilities to conduct the Airbus CBT Administrator Course and/or provide installation assistance.

**16.10.4 Licences**

**16.10.4.1 Airbus CBT License**

16.10.4.1.1 The Seller shall grant the Buyer a Licence to use the Airbus CBT, under conditions defined in Appendix C to this Clause 16.

16.10.4.1.2 Supply of sets of CBT Courseware, as defined in Appendix C, and additional to those indicated in Appendix A, as well as any extension to the Licence of such CBT Courseware, shall be subject to terms and conditions to be mutually agreed.

**16.10.4.2 Virtual Aircraft License**

16.10.4.2.1 The Seller shall grant the Buyer a Licence to use the Virtual Aircraft, under conditions defined in Appendix C to this Clause 16. For the purpose of such Licence, the term "Airbus CBT" as used in such License shall mean the "Virtual Aircraft".

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Clause 16 - 8/22

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



16.10.4.2.2 Supply of sets of Virtual Aircraft Software, as defined in Appendix C, and additional to those indicated in Appendix A, as well as any extension to the Licence of such Virtual Aircraft Software, shall be subject to terms and conditions to be mutually agreed.

16.10.5 The Seller shall not be responsible for and hereby disclaims any and all liabilities resulting from or in connection with the use by the Buyer of the Airbus CBT, the Virtual Aircraft and any other training aids provided under this Clause 16.10.

**16.11 Proprietary Rights**

The Seller's training data and documentation, Airbus CBT, Virtual Aircraft and training aids are proprietary to the Seller and/or its Affiliates and/or its suppliers and the Buyer agrees not to disclose the content of the courseware or any information or documentation provided by the Seller in relation to training, in whole or in part, to any third party without the prior written consent of the Seller.

**16.12 Indemnities and Insurance**

INDEMNIFICATION PROVISIONS AND INSURANCE REQUIREMENTS APPLICABLE TO THIS CLAUSE 16 ARE AS SET FORTH IN CLAUSE 19.

THE BUYER WILL PROVIDE THE SELLER WITH AN ADEQUATE INSURANCE CERTIFICATE PRIOR TO ANY TRAINING ON AIRCRAFT.

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Clause 16 - 9/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX A TO CLAUSE 16

**APPENDIX “A” TO CLAUSE 16**

**TRAINING ALLOWANCE**

For the avoidance of doubt, all quantities indicated below are the total quantities granted for the whole of the Buyer’s fleet of [\*\*\*] A319/A320/A321 Aircraft and [\*\*\*] A330-200 Aircraft, unless otherwise specified.

**1. FLIGHT OPERATIONS TRAINING**

**1.1 Flight Crew Training (standard transition course or cross crew qualification (CCQ) as applicable)**

The Seller shall provide flight crew training (standard transition course or CCQ as applicable) [\*\*\*]

- (i) For the A319/A320/A321 Aircraft: [\*\*\*] of the Buyer’s flight crews
- (ii) For the A330-200 Aircraft: [\*\*\*] of the Buyer’s flight crews

per firmly ordered Aircraft, for the A330-200 Aircraft such allocation is subject to a minimum of [\*\*\*] of the Flight Crews selected by the Buyer for this training being A330/A320 family aircraft type rated.

**1.2 Flight Crew Line Initial Operating Experience**

The Seller shall provide to the Buyer pilot instructor(s) [\*\*\*] for a period of

- (i) For the A319/A320/A321 Aircraft: [\*\*\*] pilot instructor months
- (ii) For the A330-200 Aircraft: [\*\*\*] pilot instructor months.

1.2.1 The maximum number of pilot instructors present at any one time shall be limited to [\*\*\*] pilot instructors.

**1.3 Instructor Cabin Attendants’ Familiarization Course**

The Seller shall provide to the Buyer instructor cabin attendants’ training [\*\*\*] for

- (i) For the A319/A320/A321 Aircraft: [\*\*\*]
- (ii) For the A330-200 Aircraft: [\*\*\*]

of the Buyer’s instructor cabin attendants.

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Clause 16 - 10/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX A TO CLAUSE 16

**1.4 Performance / Operations Course(s)**

1.4.1 The Seller shall provide to the Buyer

- (i) For the A319/A320/A321 Aircraft: [\*\*\*]
- (ii) For the A330-200 Aircraft: [\*\*\*]

trainee days of performance / operations training [\*\*\*] for the Buyer’s personnel.

1.4.2 The above trainee days shall be used solely for the performance/operations training courses as defined in the Seller’s applicable Training Course Catalog.

**1.5 Transition Type Rating Instructor (TRI) course**

The Seller shall provide to the Buyer transition type rating instructor training (transition or CCQ, as applicable) free of charge for

- (i) For the A319/A320/A321 Aircraft: [\*\*\*]
- (ii) For the A330-200 Aircraft: [\*\*\*]

of the Buyer’s flight instructors.

**2 MAINTENANCE TRAINING**

**2.1 Maintenance Training Courses**

2.1.1 The Seller shall provide to the Buyer

- (i) for the A319/A320/A321 Aircraft: [\*\*\*]
- (ii) for the A330-200 Aircraft : [\*\*\*]

trainee days of maintenance training (for a total of [\*\*\*] maintenance trainee days) [\*\*\*] for the Buyer’s personnel.

2.1.2 The above trainee days shall be used solely for the Maintenance training courses as defined in the Seller’s applicable Training Courses Catalog.

2.1.3 Within the trainee days allowance in Paragraph 2.1.1 above, the number of Engine Run-up courses shall be limited to [\*\*\*] in total.

**2.2 Line Maintenance Initial Operating Experience Training**

The Seller shall provide to the Buyer [\*\*\*] maintenance instructor(s) at the Buyer’s base [\*\*\*] for

- (i) For the A319/A320/A321 Aircraft: [\*\*\*] each
- (ii) For the A330-200 Aircraft: [\*\*\*] each

up to the “A” check.

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Clause 16 - 11/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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APPENDIX A TO CLAUSE 16

**3            TRAINEE DAYS ACCOUNTING**

Trainee days are counted as follows:

- 3.1 For instruction at the Seller’s Training Centers or Affiliated Training Centers : [\*\*\*]. The number of trainees originally registered at the beginning of the course shall be counted as the number of trainees to have taken the course.
- 3.2 For instruction outside of the Seller’s Training Centers or Affiliated Training Centers : [\*\*\*].
- 3.3 For practical training, [\*\*\*].
- 3.4 In the event of training being provided outside of the Seller’s Training Centers or Affiliated Training Centers specifically at the Seller’s request, Paragraph 3.1 hereabove shall be applicable to the trainee days accounting for such training.

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Clause 16 - 12/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





APPENDIX A TO CLAUSE 16

**4 TRAINING AIDS FOR BUYER'S TRAINING ORGANISATION**

[\*\*\*]

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Clause 16 - 13/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX B TO CLAUSE 16

**APPENDIX “B” TO CLAUSE 16**

**MINIMUM RECOMMENDED QUALIFICATION**

**IN RELATION TO TRAINING REQUIREMENTS**

The prerequisites listed below are the minimum recommended requirements specified for Airbus training. If the appropriate Aviation Authorities or the specific airline policy of the trainee demand greater or additional requirements, they shall apply as prerequisites.

**FLIGHT CREW Standard Transition Courses**

**Captain prerequisites:**

- Previously qualified on JAR/FAR/CS 25 aircraft and commercial operations
- Valid and Current Airline Transport Pilot License (ATPLY)
- Previous command experience
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Jet experience
- Flight time :
  - 1 500 hours as pilot
  - 1 000 hours on JAR/FAR/CS 25 aircraft
  - 200 hours experience as airline, corporate or military transport pilot

**First Officer prerequisites:**

- Previously qualified on JAR/FAR/CS 25 aircraft and commercial operations
- Aircraft and commercial operations valid and current CPL (Commercial pilot license) with Instrument rating,
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Jet experience
- Flight time :
  - 500 hours as pilot
  - 300 hours on JAR/FAR/CS 25 aircraft
  - 200 hours experience as airline, corporate or military transport pilot

If the Trainee does not speak English or is not fluent enough to follow the Standard Transition course, he shall follow the Adapted language transition and provide a translator as indicated by the Seller.

If no Jet experience, both CAPTAIN and/or FIRST OFFICER must follow before entering the transition course, a dedicated “Jet Familiarization entry level course”. Such course(s), if required, shall be at the Buyer’s expense.

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Clause 16 - 14/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX B TO CLAUSE 16

**First type rating course**

This course is designed for Ab initio pilots who do not hold an aircraft type rating on their pilot license

**Pilot prerequisites**

- Valid and current CPL (commercial pilot license)
- Valid and current Instrument Rating on multi engine aircraft
- APTLY written examination
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Flight experience:
  - 220 hours as pilot
  - 100 hours as pilot in command (PIC)
  - 25 hours on multi engine aircraft (up to 10 hours can be completed in a simulator)

In addition to the above conditions and in accordance to the JAR Flight Crew Licensing (FCL) and the Airbus Training Policy, a pilot applying for a first type rating must have followed either an approved JAR Multi Crew Cooperation (MCC) program or regulatory equivalent or the “Airbus Entry Level Training (ELT) program” (combined MCC and Jet familiarization course). Such course, if required, shall be at the Buyer’s expense.

**CCO additional prerequisites**

In addition to the prerequisites set forth for the Flight Crew Standard Transition Course, both CAPTAIN and FIRST OFFICER must:

- be qualified and current on the base aircraft type
- have 150 hours minimum and 3 months minimum of operations on the base aircraft type.

**TRI course additional prerequisites**

In addition to the prerequisites set forth for the Flight Crew Standard Transition Course, it is the responsibility of the Buyer to:

- select instructor candidate(s) with airmanship and behaviour corresponding to the role and responsibility of an airline instructor
- designate instructor candidate(s) with the Airbus prerequisite, which corresponds to the JAR requirements (ref JAR – FCL 1 – Requirements/ Subparts H – Instructor rating (Aeroplane))

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Clause 16 - 15/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX B TO CLAUSE 16

**Performance and Operations personnel prerequisites**

The Buyer's performance and operations personnel shall be fluent in English (able to write, read and communicate at an adequately understandable level in English language).

All further detailed prerequisites shall be provided by the Seller to the Buyer during the Training Conference, depending on the type of training course(s) selected by the Buyer.

**Maintenance Personnel prerequisites**

- Fluency in English (understanding of English (able to write, read and communicate at an adequately understandable level in English language) adequate to be able to follow the training (If this is not the case, the Buyer shall assign a minimum of one (1) translator for eight (8) trainees).
- Technical experience in the line or/and base maintenance activity of commercial jet aircraft

**Additional prerequisites for Aircraft Rigging Course**

Qualification as line or line and base mechanic on one type of Airbus aircraft family

**Additional prerequisites for Maintenance Initial Operating Experience**

Qualification as line or line and base mechanic on the concerned Airbus aircraft type (for Course)

**Maintenance Training Difference Courses additional prerequisites**

In addition to the prerequisites set forth for Maintenance Personnel, the personnel shall be current and operating on the base aircraft A320 / A330 PA – TAM – 11/2006

Clause 16 - 16/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**APPENDIX C TO CLAUSE 16**

**LICENCE FOR USE OF AIRBUS COMPUTER BASED TRAINING**

A320 / A330 PA – TAM – 11/2006

Clause 16 - 17/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX C TO CLAUSE 16

**LICENCE FOR USE OF AIRBUS COMPUTER BASED TRAINING (AIRBUS CBT)**

**1 DEFINITIONS**

- 1.1** For the purpose of this Appendix C to Clause 16, the following definitions shall apply:
- 1.1.1 “**Airbus CBT**” means the combination of the Airbus CBT Software and the Airbus CBT Courseware.
  - 1.1.2 “**Airbus CBT Courseware**” means the programmed instructions that provide flight crew and maintenance training.
  - 1.1.3 “**Airbus CBT Software**” means the system software that permits the use of the Airbus CBT Courseware.
  - 1.1.4 “**Student / Instructor Mode**” means the mode that allows the Buyer to run the Airbus CBT Courseware.
  - 1.1.5 “**Airbus CBT Administrator Course**” means the training enabling the Buyer to load and use the Airbus CBT either on stand-alone workstations or in a Server mode.
  - 1.1.6 “**Network**” means the group of the Buyer’s computers connected to each other through cables and allowing the transmission of data and instructions, which can be used by all of the Buyer’s computers so linked.
  - 1.1.7 “**Server**” means the computer dedicated to the administration of a Network and on which the Airbus CBT is installed and can be reached through the Network.
  - 1.1.8 “**Technical Specification**” means either the “Airbus CBT Workstation Technical Specification” or the “Airbus CBT Server Technical Specification”, as applicable.
  - 1.1.9 “**Intranet**” means the Buyer’s private and local Network using the same technical protocols as internet but which is not open to public connection.
  - 1.1.10 “**Extranet**” means the network constituted of an external Intranet, allowing communication between the Buyer and certain defined external entities.
  - 1.1.11 “**User Guide**” means the documentation, which may be in electronic format, designed to assist the Buyer to use the Airbus CBT.
- 1.2** Capitalised terms used herein and not otherwise defined in this Airbus CBT Licence shall have the meaning assigned thereto in the Agreement.
- 1.3** Any and all hardware required for the operation of the Airbus CBT is not part of the Airbus CBT and shall be procured under the sole responsibility of the Buyer. The Seller shall not be responsible for any incompatibility of such hardware with the Airbus CBT.

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Clause 16 - 18/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX C TO CLAUSE 16

**2 GRANT**

The Seller grants the Buyer the right, pursuant to the terms and conditions herein, to use the Airbus CBT for the Term of this licence (“**Airbus CBT Licence**”).

**3 COPIES**

Use of the Airbus CBT is limited to the number of copies delivered by the Seller to the Buyer and to the medium on which the Airbus CBT is delivered. No reproduction shall be made without the prior written consent of the Seller. Notwithstanding the above, specific rights as detailed hereafter shall be granted for respectively the Airbus CBT Software and the Airbus CBT Courseware.

**3.1 Airbus CBT Software**

The Buyer shall be permitted to copy the Airbus CBT Software for back-up and archiving purposes and for loading of the Airbus CBT Software exclusively on the Buyer’s workstations or Server, as applicable. In such cases, the Buyer shall advise the Seller in writing of the number of any copies made. Any other copy for any other purpose is strictly prohibited.

**3.2 Airbus CBT Courseware**

The Buyer shall be permitted to copy the Airbus CBT Courseware for the sole purpose of internal training of the Buyer’s personnel, explicitly such copies shall be used by the Buyer’s employees only on their laptops for training purposes.

In such cases, the Buyer shall advise the Seller in writing of the number of copies made and shall cause its employees to strictly comply with the conditions of use and the confidentiality provisions of this Airbus CBT Licence. In particular, the Buyer’s employees shall agree to use such copy for training purposes only and to make no additional copy. The Buyer shall further ensure that any copy provided to an employee is returned to the Buyer either upon request by the Buyer or upon termination of the employment of the employee. Any other copy for any other purpose is strictly prohibited.

**3.3** Any copy made by the Buyer shall be performed under the sole responsibility of the Buyer. The Buyer agrees to reproduce the copyright and other notices as they appear on or within the original media on any copies that the Buyer makes of the Airbus CBT Software or the Airbus CBT Courseware. The Seller shall not provide revision service for any copies made.

**4 TERM**

[\*\*\*]

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Clause 16 - 19/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX TO C TO CLAUSE 16

5 PERSONAL ON-SITE LICENCE

The sole right granted to the Buyer under this Airbus CBT Licence is the right to use the Airbus CBT. The Airbus CBT Licence is personal to the Buyer, for its own internal use, and is non-transferable and non-exclusive.

6 CONDITIONS OF USE

6.1 The Buyer shall:

- use its best reasonable endeavours to maintain the Airbus CBT and the relating documentation in good working condition, in order to ensure the correct operation thereof;
- use the Airbus CBT in accordance with such documentation and the User Guide, and ensure that the staff using the Airbus CBT have received the appropriate training;
- use the Airbus CBT exclusively in the technical environment defined in the Technical Specification, except as otherwise agreed in writing between the parties;
- use the Airbus CBT for its own internal needs and on its Network (except if the Seller has consented to other usages), when technically possible, only and exclusively on the machine referenced and the site declared;
- not transmit the Airbus CBT electronically by any means, nor use the Airbus CBT on either the internet, Intranet or Extranet;
- not alter, reverse engineer, modify or adapt the Airbus CBT, or integrate all or part of the Airbus CBT in any manner whatsoever into another software product;
- not correct the Airbus CBT, except that such correction right may exceptionally be granted to the Buyer by the Seller in writing;
- not translate, disassemble or decompile the Airbus CBT Software or create a software product derived from the Airbus CBT Software;
- not attempt to or authorise a third party to discover or re-write the Airbus CBT source codes in any manner whatsoever;
- not delete any identification or declaration relative to the intellectual property rights, trademarks or any other information related to ownership or intellectual property rights provided in the Airbus CBT by the Seller;
- not pledge, sell, distribute, grant, sub-license, lease, lend, whether on a free-of-charge basis or against payment, or permit access on a time-sharing basis or any other utilisation of the Airbus CBT, whether in whole or in part, for the benefit of a third party;
- not permit any third party to use the Airbus CBT in any manner, including but not limited to, any outsourcing, loan, commercialisation of the Airbus CBT or commercialisation by merging the Airbus CBT into another software or adapting the Airbus CBT, without prior written consent from the Seller.

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Clause 16 - 20/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





APPENDIX C TO CLAUSE 16

The Seller shall be entitled, at no cost to the Buyer, subject to providing reasonable prior written notice thereof to the Buyer and provided the same will not interfere with the Buyer's commercial operations, to come and verify in the Buyer's facilities whether the conditions specified in this Airbus CBT License are respected. This shall not however commit the responsibility of the Seller in any way whatsoever.

**6.2 Use of the Airbus CBT Software**

Notwithstanding Clause 6.1 above, the Buyer shall use the Airbus CBT Software for the exclusive purpose of, for the student delivery mode:

- (i) rostering students for one or several courses syllabi in order to follow students' progression,
- (ii) rearranging courses syllabi or creating new ones using available courseware modules.

However, the Seller disclaims any responsibility regarding any course(s) that may be modified or rearranged by the Buyer.

**6.3 Use of the Airbus CBT Courseware**

Notwithstanding Clause 5 above, the Buyer shall use the Airbus CBT Courseware for the exclusive purpose of performing training of its personnel, or of third party personnel contracted to perform maintenance work on the Buyer's Aircraft on behalf of the Buyer. Such training shall be performed exclusively at the Buyer's facility.

**7 PROPRIETARY RIGHTS AND NON DISCLOSURE**

The Airbus CBT Software and Airbus CBT Courseware, the copyrights and any and all other author rights, intellectual, commercial or industrial proprietary rights of whatever nature in the Airbus CBT Software and Airbus CBT Courseware are and shall remain with the Seller and/or its Affiliates or suppliers, as the case may be. The Airbus CBT Software and Airbus CBT Courseware and their contents are designated as confidential. The Buyer shall not take any commercial advantage by copy or presentation to third parties of the Airbus CBT Software, the documentation, the Airbus CBT Courseware, and/or any rearrangement, modification or copy thereof.

The Buyer acknowledges the Seller's proprietary rights in the Airbus CBT and undertakes not to disclose the Airbus CBT Software or Airbus CBT Courseware or parts thereof or their contents to any third party without the prior written consent of the Seller. Insofar as it is necessary to disclose aspects of the Airbus CBT Software and Airbus CBT Courseware to the Buyer's personnel, such disclosure is permitted only for the purpose for which the Airbus CBT Software and Airbus CBT Courseware are supplied to the Buyer under the present Airbus CBT Licence.

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Clause 16 - 21/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX C TO CLAUSE 16

**8 WARRANTY**

**8.1** The Seller warrants that the Airbus CBT is prepared in accordance with the state of art at the date of its conception. Should the Airbus CBT be found to contain any non-conformity or defect, the Buyer shall promptly notify the Seller thereof and the sole and exclusive liability of the Seller under this Clause 8.1 shall be to correct the same at its own expense.

**8.2** THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THE AIRBUS CBT LICENCE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, ITS SUPPLIERS AND/OR THEIR INSURERS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE AIRBUS CBT DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER’S AND/OR ITS SUPPLIERS’ NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR THE AIRBUS CBT DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE AIRBUS CBT DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 8.2, “THE SELLER” SHALL INCLUDE THE SELLER, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

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Clause 16 - 22/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**17 EQUIPMENT SUPPLIER PRODUCT SUPPORT**

**17.1 Equipment Supplier Product Support Agreements**

- 17.1.1 The Seller has obtained enforceable and transferable product support agreements from Suppliers of Seller Furnished Equipment listed in the Specification.
- 17.1.2 These agreements are based on the “World Airlines Suppliers Guide” and include Supplier commitments as contained in the “**Supplier Product Support Agreements**” which include the following provisions:
  - 17.1.2.1 Technical data and manuals required to operate, maintain, service and overhaul the Supplier Parts. Such technical data and manuals shall be prepared in accordance with the applicable provisions of ATA Specification including revision service and be published in the English language. The Seller shall recommend that software data, where applicable, be supplied in the form of an appendix to the Component Maintenance Manual, such data shall be provided in compliance with the applicable ATA Specification.
  - 17.1.2.2 Warranties and guarantees including standard warranties. In addition, landing gear Suppliers shall provide service life policies for selected structural landing gear elements.
  - 17.1.2.3 Training to ensure efficient operation, maintenance and overhaul of the Supplier Parts for the Buyer’s instructors, shop and line service personnel.
  - 17.1.2.4 Spares data in compliance with ATA 200/2000 Specification, initial provisioning recommendations, spare parts and logistic service including routine and expedited deliveries.
  - 17.1.2.5 Technical service to assist the Buyer with maintenance, overhaul, repair, operation and inspection of Supplier Parts as well as required tooling and spares provisioning.

**17.2 Supplier Compliance**

The Seller shall monitor Supplier compliance with support commitments defined in the Supplier Product Support Agreements and shall take remedial action together with the Buyer if necessary.

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Clause 17 - 1/1

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**18 BUYER FURNISHED EQUIPMENT**

**18.1 Administration**

18.1.1 [\*\*\*], the Seller shall provide for the installation of those items of equipment which are identified in the Specification as being furnished by the Buyer (“**Buyer Furnished Equipment**” or “**BFE**”), provided that they are referred to in the Airbus BFE Catalog of Approved Suppliers by Products valid at time of ordering of the concerned BFE.

The Seller shall advise the Buyer of the dates by which, in the planned release of engineering for the Aircraft, the Seller requires a written detailed engineering definition including the description of the dimensions and weight of BFE, the information related to its certification and information necessary for the installation and operation thereof. The Buyer shall furnish such detailed description and information by the dates so specified. Such information, dimensions and weights shall not thereafter be revised unless authorised by a Specification Change Notice.

The Seller shall also furnish in due time to the Buyer a schedule of dates and indication of shipping addresses for delivery of BFE and, where requested by the Seller, additional spare BFE to permit installation in the Aircraft and delivery of the Aircraft in accordance with the delivery schedule. The Buyer shall provide such equipment by such dates in a serviceable condition, in order to allow performance of any assembly, test, or acceptance process in accordance with the industrial schedule.

The Buyer shall also provide, when requested by the Seller, at AIRBUS FRANCE S.A.S. works in TOULOUSE (FRANCE) and/or at AIRBUS DEUTSCHLAND GmbH, Division Hamburger Flugzeugbau Works in HAMBURG (FEDERAL REPUBLIC OF GERMANY) adequate field service including support from BFE suppliers to act in a technical advisory capacity to the Seller in the installation, calibration and possible repair of any BFE.

18.1.2 The Seller shall be entitled to refuse any item of BFE which it considers incompatible with the Specification, the above mentioned engineering definition or the certification requirements, and shall promptly notify the Buyer of such refusal.

18.1.3 The BFE shall be imported into FRANCE or into the FEDERAL REPUBLIC OF GERMANY by the Buyer under a suspensive customs system (“Régime de l’entrepôt industriel pour fabrication coordonnée” or “Zollverschluss”) without application of any French or German tax or customs duty, and shall be Delivered Duty Unpaid (DDU) according to the Incoterms definition.

Shipping Addresses:

AIRBUS FRANCE S.A.S.  
316 Route de Bayonne  
31300 TOULOUSE  
FRANCE

or

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AIRBUS DEUTSCHLAND GmbH  
Division Hamburger Flugzeugbau  
Kreetslag 10  
21129 HAMBURG  
FEDERAL REPUBLIC OF GERMANY

as provided in Clause 18.1.

18.1.4 [\*\*\*]

18.2 **Aviation Authorities' Requirements**

The Buyer is responsible for, at its expense, and warrants that BFE shall be manufactured by a qualified supplier, shall meet the requirements of the applicable Specification, shall comply with applicable requirements incorporated by reference to the Type Certificate and listed in the Type Certificate Data Sheet, shall be approved by the Aviation Authorities delivering the Export Certificate of Airworthiness and by the Buyer's Aviation Authority for installation and use on the Aircraft at the time of Delivery of such Aircraft.

18.3 **Buyer's Obligation and Seller's Remedies**

18.3.1 Any delay or failure in complying with the foregoing warranty or in providing the descriptive information or service representatives mentioned in Clause 18.1 or in furnishing the BFE in serviceable condition at the requested delivery date or in obtaining any required approval for such equipment under the above mentioned Aviation Authorities regulations may delay the performance of any act to be performed by the Seller, and cause the Final Price of the Aircraft to be adjusted in accordance with the updated delivery schedule and to include in particular the amount of the Seller's evidenced additional costs, directly attributable to such delay or failure such as storage, taxes, insurance and costs of out-of sequence installation. The Seller shall take reasonable steps to mitigate such additional costs.

18.3.2 Further, in any such event, the Seller may:

- (i) select, purchase and install an equipment similar to the involved one, in which event the Final Price of the affected Aircraft shall also be increased by the purchase price of such equipment plus reasonable costs and expenses incurred by the Seller for handling charges, transportation, insurance, packaging and if so required and not already provided for in the price of the Aircraft for adjustment and calibration; or
- (ii) if the BFE shall be so delayed by more than thirty (30) days, or unapproved within thirty (30) days deliver the Aircraft without the installation of such equipment, notwithstanding the terms of Clause 7 insofar as it may otherwise have applied, and the Seller shall thereupon be relieved of all obligations to install such equipment. The Buyer may also elect to have the Aircraft so delivered, provided it is in the condition otherwise required by this Agreement.

18.4 **Title and Risk of Loss**

Title to and risk of loss of any BFE shall at all times remain with the Buyer except that risk of loss (limited to cost of replacement of said BFE and excluding in particular loss of use) shall be with the Seller for as long as such BFE shall be under the care, custody and control of the Seller.

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19 **INDEMNIFICATION AND INSURANCE**

19.1 **Indemnities Relating to Inspection, Technical Acceptance Process and Ground Training**

19.1.1 The Seller shall, except in case of gross negligence or wilful misconduct of the Buyer, its Affiliates, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Buyer, its directors, officers, agents and employees, its Affiliates and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of loss of or damage to the Seller's property and/or injury to or death of the directors, officers, agents or employees of the Seller and/or from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for any damage caused by the Seller [\*\*\*] ground check, check or controls under Clause 6 or Clause 8 of this Agreement and/or Ground Training Services and for any damage caused by the Buyer and/or the Seller [\*\*\*] technical acceptance flights under Clause 8 of this Agreement.

19.1.2 The Buyer shall, except in case of gross negligence or wilful misconduct of the Seller, its Affiliates, Suppliers, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates, its Suppliers and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of loss of or damage to the Buyer's property and/or injury to or death of the directors, officers, agents or employees of the Buyer and/or from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for any damage caused by the Buyer [\*\*\*] ground check, check or controls under Clause 6 or Clause 8 of this Agreement and/or Ground Training Services.

19.2 **Indemnities Relating to Training on Aircraft after Delivery**

19.2.1 The Buyer shall, except in the case of gross negligence or wilful misconduct of the Seller, its Affiliates, Suppliers, their respective directors, officers, agents and employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates, its Suppliers and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death [\*\*\*] (including any of the Buyer's directors, officers, agents and employees utilising such training services, but not directors, officers, agents and employees of the Seller) and/or for loss of or damage to any property and/or for loss of use thereof [\*\*\*] (including the aircraft on which the training services are performed), [\*\*\*] performance of any Aircraft Training Services.

19.2.2 The foregoing indemnity shall not apply with respect to the Seller's legal liability towards [\*\*\*] other than the Buyer, its directors, officers, agents or employees [\*\*\*] delivered to and accepted by the Buyer hereunder.

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19.3 **Indemnities relating to Seller Representatives Services**

19.3.1 The Buyer shall, except in case of gross negligence or wilful misconduct of the Seller, its Affiliates, subcontractors, Suppliers, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates, its Suppliers and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for all injuries to or death [\*\*\*] and for loss of or damage to property and/or loss of use thereof howsoever [\*\*\*] the Seller's Representatives' Services.

19.3.2 The Seller shall, except in case of gross negligence or wilful misconduct of the Buyer, its Affiliates, their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Buyer, its directors, officers, agents and employees, its Affiliates and their respective insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) for all injuries to or death of the Seller's Representatives in connection with the Seller's Representatives' Services.

19.4 **Insurances**

For all training periods on aircraft, the Buyer shall cause the Seller, as defined in Clause 19.5 hereof, its Affiliates, its Suppliers and their respective insurers to be named as additional insureds under the Buyer's Comprehensive Aviation Legal Liability insurance policies, including War Risks and Allied Perils, to the extent of the Buyer's undertaking set forth in Clause 19.2.1. With respect to the Buyer's Hull All Risks and Hull War Risks insurances and Allied Perils, the Buyer shall cause the insurers of the Buyer's hull insurance policies to waive all rights of subrogation against the Seller, as defined in Clause 19.5 hereof, its Affiliates, its Suppliers and their respective insurers to the extent of the Buyer's undertaking set forth in Clause 19.2.1.

Any applicable deductible shall be borne by the Buyer. With respect to the above policies, the Buyer shall furnish to the Seller, not less than seven (7) working days prior to the start of any such training period, certificates of insurance, in English, evidencing the limit of liability cover and period of insurance in a form acceptable to the Seller from the Buyer's insurance broker(s) certifying that such policies have been endorsed as follows:

- (i) under the Comprehensive Aviation Legal Liability Insurances, the Buyer's policies are primary and non-contributory to any insurance maintained by the Seller;
- (ii) such insurance can only be cancelled or materially altered by the giving of not less than thirty (30) days (but seven (7) days or such lesser period as may be customarily available in respect of War Risks and Allied Perils) prior written notice thereof to the Seller; and
- (iii) under any such cover, all rights of subrogation against the Seller, its Affiliates, its Suppliers and their respective insurers, have been waived to the extent of the Buyer's undertaking and specifically referring to Clause 19.2.1 and to this Clause 19.4.

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19.5 **Seller and Affiliates**

For the purposes of this Clause 19, “the Seller and its Affiliates” include the Seller, its subsidiaries, Airbus North America Customer Services, Hua-Ou Airbus - CASC Aviation Training Center, its shareholders, each of the sub-contractors, the assignees of each of the foregoing, and their respective directors, officers, agents and employees.

19.6 **Notice of Claims**

If any claim is made or suit is brought against either party (or its respective directors, officers, agents or employees) for damages for which liability has been assumed by the other party in accordance with the provisions of this Agreement, the party against which a claim is so made or suit is so brought shall promptly give notice to the other party, and the latter shall (unless otherwise requested by the former party against which a claim is so made or suit is so brought, in which case the other party nevertheless shall have the right to) assume and conduct the defence thereof, or effect any settlement which it, in its opinion, deems proper.

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Clause 19 - Page 3/3

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





20 **TERMINATION**

20.1 **Termination for Insolvency**

In the event that either the Seller or the Buyer:

- (a) makes a general assignment for the benefit of creditors or becomes insolvent;
- (b) files a voluntary petition in bankruptcy;
- (c) petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets;
- (d) commences under the laws of any competent jurisdiction any proceeding involving its insolvency, bankruptcy, readjustment of debt, liquidation or any other similar proceeding for the relief of financially distressed debtors;
- (e) becomes the object of any proceeding or action of the type described in (c) or (d) above and such proceeding or action remains undismissed or unstayed for a period of at least sixty (60) days; or
- (f) is divested of a substantial part of its assets for a period of at least sixty (60) consecutive days,

then the other party may, to the full extent permitted by law, by written notice, terminate all or part of this Agreement.

20.2 **Termination for Non-Payment of Predelivery Payments**

If for any Aircraft the Buyer fails to make any Predelivery Payments at the time, in the manner and in the amount specified in Clause 5.3, and does not remedy such failure within a period of fifteen (15) Business Days from the date when the Predelivery Payment became due, the Seller may, by written notice, terminate all or part of this Agreement with respect to undelivered Aircraft. However, if in the sole but reasonable opinion of the Seller, it becomes obvious that the Buyer is in a situation of great financial distress which is likely to prevent it, in an irreversible manner, from performing its payment obligations under this Agreement, such above grace period shall not apply.

20.3 **Termination for Failure to Take Delivery**

If the Buyer fails to comply with its obligations as set forth under Clause 8 and/or Clause 9, or fails to pay the Final Price of the Aircraft, the Seller shall have the right to put the Buyer on notice to do so within a period of fifteen (15) Business Days after the date of such notification.

If the Buyer has not cured such default within such period, the Seller may, by written notice, terminate all or part of this Agreement with respect to undelivered Aircraft.

All costs referred to in Clause 9.2.3 and relating to the period between the notified date of delivery (as referred to in Clause 9.2.3) and the date of termination of all or part of this Agreement shall be borne by the Buyer.

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20.4 **Termination for Default under other Agreements**

If the Buyer or any of its Affiliates fails to perform or comply with any material obligation expressed to be assumed by it under any aircraft purchase, financing or leasing agreement between the Buyer or any of its Affiliates and the Seller or any of its Affiliates (the "Other Agreement") and the Seller or its relevant Affiliate has exercised its right thereunder to terminate such Other Agreement, then the Seller may, by written notice, terminate all or part of this Agreement.

20.5 **General**

20.5.1 To the full extent permitted by law, the termination of all or part of this Agreement pursuant to Clauses 20.1, 20.2, 20.3 and 20.4 shall become effective immediately upon receipt by the relevant party of the notice of termination sent by the other party without it being necessary for either party to take any further action or to seek any consent from the other party or any court having jurisdiction.

20.5.2 The right for either party under Clause 20.1 and for the Seller under Clauses 20.2, 20.3, and 20.4 to terminate all or part of this Agreement shall be without prejudice to any other rights and remedies available to such party to seek termination of all or part of this Agreement before any court having jurisdiction pursuant to any failure by the other party to perform its obligations under this Agreement.

20.5.3 If the party taking the initiative of terminating this Agreement decides to terminate part of it only, the notice sent to the other party shall specify those provisions of this Agreement which shall be terminated.

20.5.4 In the event of termination of this Agreement following a default from the Buyer, including but not limited to a default under Clauses 20.1, 20.2, 20.3 and 20.4, the Seller without prejudice to any other rights and remedies available under this Agreement or by law, shall retain all predelivery payments, commitment fees, option fees and any other monies paid by the Buyer to the Seller under this Agreement and corresponding to the Aircraft, services, data and other items covered by such termination.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



21 **ASSIGNMENTS AND TRANSFERS**

21.1 **Assignments by Buyer**

Except as hereinafter provided, the Buyer may not sell, assign, novate or transfer its rights and obligations under this Agreement to any person without the prior written consent of the Seller, which shall not unreasonably be withheld.

21.1.1 **Assignments for Predelivery Financing**

The Buyer shall be entitled to assign its rights under this Agreement at any time in order to provide security for the financing of any Predelivery Payments subject to such assignment being in form and substance reasonably acceptable to the Seller, taking into account then applicable market practice.

21.1.2 **Assignments for Delivery Financing**

The Buyer shall be entitled to assign its rights under this Agreement at any time in connection with the financing of its obligation to pay the Final Price subject to such assignment being in form and substance reasonably acceptable to the Seller, taking into account the then applicable market practice.

21.2 **Assignments by Seller**

The Seller may at any time, with the prior written consent of the Buyer, which shall not be unreasonably withheld, sell, assign, novate or transfer its rights and obligations under this Agreement to any person, provided such sale, assignment or transfer be notified to Buyer and shall not have a material adverse effect on any of Buyer's rights and obligations under this Agreement.

21.2.1 **Transfer of Rights and Obligations upon Restructuring**

In the event that the Seller is subject to a corporate restructuring having as its object the transfer of, or succession by operation of law in, all or a substantial part of its assets and liabilities, rights and obligations, including those existing under this Agreement, to a person ("the **Successor**") under the control of the ultimate controlling shareholders of the Seller at the time of that restructuring, for the purpose of the Successor carrying on the business carried on by the Seller at the time of the restructuring, such restructuring shall be completed without consent of the Buyer following notification by the Seller to the Buyer in writing. The Buyer recognises that succession of the Successor to the Agreement by operation of law, which is valid under the law pursuant to which that succession occurs, shall be binding upon the Buyer.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



22 MISCELLANEOUS PROVISIONS

22.1 Data Retrieval

The Buyer shall provide the Seller, as the Seller may reasonably request, with all the necessary data as customarily compiled by the Buyer and pertaining to the operation of the Aircraft to assist the Seller in making efficient and coordinated survey of all reliability, maintainability, operational and cost data with a view to improving the safety, availability and operational costs of the Aircraft.

22.2 Notices

All notices and requests required or authorized hereunder shall be given in writing either by personal delivery to an authorized representative of the party to whom the same is given or by registered mail (return receipt requested), express mail (tracking receipt requested) or by facsimile, to be confirmed by subsequent registered mail, and the date upon which any such notice or request is so personally delivered or if such notice or request is given by registered mail, the date upon which it is received by the addressee or, if given by facsimile, the date upon which it is sent with a correct confirmation printout, provided that if such date of receipt is not a business day notice shall be deemed to have been received on the first following business day, shall be deemed to be the effective date of such notice or request.

Seller's address for notices is:

**AIRBUS**  
Attn. To V. P. Contracts  
1 Rond-Point Maurice Bellonte  
31707 Blagnac Cedex  
France

Buyer's address for notices is:

**TAM - LINHAS AEREAS S.A.**  
Attn. Contracts Director  
Avenida Jurandir, 856, 2º andar, Lote 4,  
CEP 04072 - 000, Jardim CECI,  
SAO PAULO – SP,  
BRAZIL

or such other address or such other person as the party receiving the notice or request may reasonably designate from time to time.

22.3 Waiver

The failure of either party to enforce at any time any of the provisions of this Agreement, or to exercise any right herein provided, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a present or future waiver of such provisions nor in any way to affect the validity of this Agreement or any part thereof or the right of the other party thereafter to enforce each and every such provision. The express waiver (whether made one (1) or several times) by either party of any provision, condition or requirement of this Agreement shall not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

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22.4 **Law and Jurisdiction**

22.4.1 This Agreement shall be governed by and construed in accordance with the laws of France.

22.4.2 Any dispute arising out of or in connection with this Agreement shall be within the exclusive jurisdiction of the *Tribunal de Commerce* of Paris.

22.5 **International Supply Contract**

The Buyer and the Seller recognise that this Agreement is an international supply contract which has been the subject of discussion and negotiation, that all its terms and conditions are fully understood by the parties, and that the Specification and price of the Aircraft and the other mutual agreements of the parties set forth herein were arrived at in consideration of, inter alia, all the provisions hereof specifically including all waivers, releases and renunciations by the Buyer set out herein.

The Buyer and the Seller hereby also agree that the United Nations Convention on Contracts for the International Sale of Goods will not apply to this transaction.

22.6 **Severability**

In the event that any provision of this Agreement should for any reason be held ineffective, the remainder of this Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

22.7 **Alterations to Contract**

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

22.8 **Language**

All correspondence, documents and any other written matters in connection with this Agreement shall be in English.

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22.9 **Counterparts**

This Agreement has been executed in two (2) original copies.

Notwithstanding the above, this Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Agreement.

22.10 **Confidentiality**

This Agreement including any Exhibits, other documents or data exchanged between the Buyer and the Seller for the fulfilment of their respective obligations under the Agreement shall be treated by both parties as confidential and shall not be released in whole or in part to any third party except as may be required by law, or to professional advisors for the purpose of implementation hereof.

In particular, both parties agree:

- not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior written consent of the other party hereto.
- that any and all terms and conditions of the transaction contemplated in this Agreement are strictly personal and exclusive to the Buyer, including in particular, but not limited to, the Aircraft pricing (the "Personal Information"). The Buyer therefore agrees to notify the Seller reasonably in advance of any required disclosure of Personal Information to financial institutions, including operating lessors, investment banks and their agents or other relevant institutions for aircraft sale and leaseback or any other Aircraft or Predelivery Payment financing purposes (the "Receiving Party"), and if requested by the Seller, to consult with the Seller for a reasonable period of time in relation thereto.

Without prejudice to the foregoing, any disclosure of Personal Information to a Receiving Party shall be subject to written agreement between the Buyer and the Seller, including in particular, but not limited to:

- (i) the contact details of the Receiving Party,
- (ii) the extent of the Personal Information subject to disclosure,
- (iii) the Aircraft pricing to be provided to the Receiving Party.

Furthermore, the Buyer and the Seller shall use their best reasonable efforts to limit the disclosure of the contents of this Agreement to the extent legally permissible in any filing required to be made by the Buyer and the Seller with any governmental or regulatory agency. The Buyer and the Seller agree that prior to any such disclosure or filing, the Seller and the Buyer shall jointly review and agree on the terms and conditions of the document to be filed or disclosed.

The provisions of this Clause 22.10 shall survive any termination of this Agreement for a period of five (5) years.

A320 / A330 PA – TAM – 11/2006



**IN WITNESS WHEREOF** this Agreement was entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name: Marco Antonio Bologna

Name:

Title: Chief Executive Officer

Title:

Name: Jose Zaidan Maluf

Title: Director

**Witness**

**Witness**

Name: Vanessa Alvarenga

Name: Michel Clanet

Title: Legal Counsel

Title: Regional Sales Director

A320 / A330 PA – TAM – 11/2006

Clause 22 - Page 4/4

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT A**

**EXHIBIT A**

**SPECIFICATION**

The A319, A320, A321 and A330-200 Aircraft Standard Specifications are contained in a separate CD-ROM.

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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APPENDIX 1 TO EXHIBIT A – A319 SCNs

Page1/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 1 TO EXHIBIT A – A319 SCNs

Page 2/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A –

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LATAM AIRLINES GROUP**

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Page 1 of 1

APPENDIX 1 TO EXHIBIT A – A319 SCNs

Page 3/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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APPENDIX 2 TO EXHIBIT A – A320 SCNs

Page 1/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 2 TO EXHIBIT A – A320 SCNs

Page 2/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 2 TO EXHIBIT A – A320 SCNs

Page 3/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 3 TO EXHIBIT A – A321 SCNs

Page 1/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 3 TO EXHIBIT A – A321 SCNs

Page 2/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





APPENDIX 3 TO EXHIBIT A – A321 SCNs

Page 3/3

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 4 TO EXHIBIT A – A330-200 SCNs

Page 4 of 4

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



APPENDIX 4 TO EXHIBIT A – A330-200 SCNs

Page 5 of 4

[\*\*\*]

A320 / A330 PA – TAM – 11/2006

- Exhibit A -

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT B**

**EXHIBIT B**

**FORM OF**

**SPECIFICATION CHANGE NOTICE**


A320 / A330 PA – TAM – 11/2006

- Exhibit B - Page 1/1

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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|   |   |
|---|---|
|  <p><b>AIRBUS</b><br/><b>SPECIFICATION CHANGE NOTICE</b><br/>(SCN)</p> | <p><b>TAM - LINHAS AERAS</b></p> <p>SCN Number<br/>Issue<br/>Dated<br/>Page</p> |
|---|---|

**Title:**

**Description**

**Effect on weight**

Manufacturer's Weight Empty Change :  
Operational Weight Empty Change :  
Allowable Payload Change :

**Remarks / References**

RFC ...

**Specification changed by this SCN**

A [ ] Aircraft Standard Specification Reference [ ] Issue [ ] dated [ ]

**This SCN requires prior or concurrent acceptance of the following SCN (s) :**

**Price per aircraft**

US DOLLARS :

AT DELIVERY CONDITIONS :

This change will be effective on AIRCRAFT N° and subsequent.

Provided approval is received by

**Buyer approval**

By :

Date :

**Seller approval**

By :

Date :



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AIRBUS

**SPECIFICATION CHANGE NOTICE**

(SCN)

**TAM - LINHAS AERAS**

SCN Number

Issue

Dated


Page

**Specification repercussion :**

After contractual agreement with respect to weight, performance, delivery, etc, the indicated part of the specification wording will read as follows :



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|   |   |
|---|---|
|  <p style="text-align: center;"><b>AIRBUS</b><br/><b>SPECIFICATION CHANGE NOTICE</b><br/>(SCN)</p> | <p><b>TAM - LINHAS AERAS</b></p> <p>SCN Number<br/>Issue<br/>Dated<br/>Page</p> |
|---|---|

Scope of change (FOR INFORMATION ONLY)

Empty box for scope of change details.



**EXHIBIT C**

**PART 1 AIRFRAME PRICE REVISION FORMULA**

[\*\*\*]

A320 / A330 PA – TAM – 10/2006

Exhibit C – Page 1/5

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**EXHIBIT C**

**PART 2 PROPULSION SYSTEMS PRICE REVISION FORMULA**  
**CFM INTERNATIONAL**

[\*\*\*]

A320 / A330 PA – TAM – 09/2006



**EXHIBIT C**

**PART 3 PROPULSION SYSTEMS PRICE REVISION FORMULA**  
**IAE**

[\*\*\*]

A320 / A330 PA – TAM – 09/2006



**EXHIBIT C**

**PART 5 PROPULSION SYSTEMS PRICE REVISION FORMULA**  
**PRATT & WHITNEY**

[\*\*\*]

A320 / A330 PA – TAM – 09/2006



**EXHIBIT C**

**PART 5 PROPULSION SYSTEMS PRICE REVISION FORMULA**  
**PRATT & WHITNEY**

[\*\*\*]

A320 / A330 PA – TAM – 09/2006



**EXHIBIT D**

**CERTIFICATE OF ACCEPTANCE**

In accordance with the terms of the A320 / A330 purchase agreement dated <sup>th</sup> 2006 and made between **TAM - LINHAS AEREAS S.A.** and **AIRBUS S.A.S.**, as amended (the “**Purchase Agreement**”), the acceptance tests relating to the A3[ ] – [ ] aircraft, Manufacturer’s Serial Number: [ ], Registration Marks: [ ] (the “**Aircraft**”), have taken place at [ ] or [ ] on the [ ] day of [ ].

In view of said tests having been carried out with satisfactory results, TAM Linhas Aereas S.A. hereby approves the Aircraft as being in conformity with the provisions of the Purchase Agreement.

Said acceptance does not impair the rights that may be derived from the warranties relating to the Aircraft set forth in the Purchase Agreement.

Any right at law or otherwise to revoke this acceptance of the Aircraft is hereby waived.

The [ ] day of [ ]

**TAM - LINHAS AEREAS S.A.**

By:

Its:

A320 / A330 PA – TAM – 11/2006

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**EXHIBIT E**

**BILL OF SALE**

Know all men by these presents that Airbus S.A.S. (the “**Seller**”), “société par actions simplifiée” existing under French law and whose address is 1 rond-point Maurice Bellonte, 31707 Blagnac Cedex, FRANCE, is, this [ ], the owner of the title to the following airframe (the “**Airframe**”), the engines as specified (the “**Engines**”) and all appliances, components, parts, instruments, accessories, furnishings, modules and other equipment of any nature, excluding Buyer Furnished Equipment (“**BFE**”), incorporated therein, installed thereon or attached thereto on the date hereof (the “**Parts**”):

**AIRFRAME:**

AIRBUS Model [ ]

**ENGINES:**

[ ] Model [ ]

**MANUFACTURER’S**

**SERIAL NUMBER:** [ ]

**ENGINE SERIAL NUMBERS:**

LH: [ ]

RH: [ ]

**REGISTRATION MARKS:** [ ]

[and has such title to the BFE as was acquired by it from TAM Linhas Aereas S.A. by a Bill of Sale dated [ ] (the “BFE Bill of Sale”).]

The Airframe, Engines and Parts are hereafter together referred to as the Aircraft (the “**Aircraft**”).

The Seller does hereby on this [ ] day of [ ] sell, transfer and deliver all of its above described rights, title and interest to the Aircraft to the following company and to its successors and assigns forever, said Aircraft [and the BFE] to be the property thereof:

**TAM - LINHAS AEREAS S.A.**  
(the “**Buyer**”)

The Seller hereby warrants to the Buyer, its successors and assigns that it has good and lawful right to sell, deliver and transfer title to the Aircraft to the Buyer and that there is hereby conveyed to the Buyer good, legal and valid title to the Aircraft, free and clear of all liens, claims, charges, encumbrances and rights of others and that the Seller will warrant and defend such title forever against all claims and demands whatsoever [and such title to the BFE as the Seller has acquired pursuant to the BFE Bill of Sale.]

This Bill of Sale shall be governed by and construed in accordance with the laws of France.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative this day of [ ]

AIRBUS S.A.S.

By:

Title:

Signature:

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EXHIBIT G

EXHIBIT G

**TECHNICAL DATA INDEX**

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Exhibit G - 1/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT G

**TECHNICAL DATA INDEX**

Where applicable data will be established in general compliance with ATA Specification 2200 (iSpec2200), Information Standards for Aviation Maintenance (Revision 2005).

The following index identifies the Technical Data provided in support of the Aircraft.

The explanation of the table is as follows:

NOMENCLATURE Self-explanatory.

ABBREVIATED DESIGNATION (Abbr) Self-explanatory.

AVAILABILITY (Avail)

Technical Data can be made available :

- ON-LINE (ON) through the relevant service on AirbusWorld, and / or
- OFF-LINE (OFF) through the most suitable means applicable to the size of the concerned document (e.g CD or DVD).

FORMAT (Form)

Following Technical Data formats may be used:

- SGML - Standard Generalized Mark-up Language, which allows further data processing by the Buyer.
- XML - Evolution of the SGML format to cope with WEB technology requirements.
- PDF (PDF) - Portable Document Format allowing data consultation.
- Advanced Consultation Tool - refers to Technical Data Consultation application that offers advanced consultation & navigation functionality compared to PDF. Both browser software & Technical Data are packaged together.
- P1 / P2 - refers to manuals printed on one side or both sides of the sheet.
- CD-P - refers to CD-Rom including Portable Document Format (PDF) Data.

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Exhibit G - 2/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT G

- TYPE
- C CUSTOMIZED. Refers to manuals that are applicable to an individual Airbus customer/operator fleet or aircraft.
  - G GENERIC. Refers to manuals that are applicable for all Airbus aircraft types/models/series.
  - E ENVELOPE. Refers to manuals that are applicable to a whole group of Airbus customers for a specific aircraft type/model/series.

QUANTITY (Qty) Self-explanatory for physical media.

DELIVERY (Deliv) Delivery refers to scheduled delivery dates and is expressed in either the number of corresponding days prior to first Aircraft delivery, or nil (0) corresponding to the first delivery day.

The number of days indicated shall be rounded up to the next regular revision release date.

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Exhibit G - 3/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT G

NOMENCLATURE

OPERATIONAL MANUALS AND DATA

|                              | Abbr | Avail | Form                             | Type | Qty | Deliv | Comments  |
|------------------------------|------|-------|----------------------------------|------|-----|-------|---|
| Flight Crew Operating Manual | FCOM | OFF   | P2                               | C    | 2   | 90    | Per crew quantity / Plus one copy per   |
|                              | FCOM | OFF   | CD-P                             | C    | 5   | 90    | Aircraft at Delivery  |
|                              | FCOM | ON    | PDF                              | C    | N/A | 90    | PDF is fallback solution to paper for on-ground consultation only   |
|                              | FCOM | ON    | Advanced Consultation Tool       | C    | N/A | 90    | FCOM Module including 0EB & TR download & consultation  |
|                              | FCOM | OFF   | Advanced Consultation Tool on CD | C    | 5   | 90    | SGML shall be used to process Buyer's own FCOM for delivery to flight crew                                    |
| Flight Crew Training Manual  | FCOM | OFF   | SGML                             | C    | 1   | 90    | Applicable for SA and LR Aircraft.  |
|                              | FCTM | OFF   | CD-P                             | C    | 10  | 90    | FCTM is a supplement to FCOM / a "Pilot's guide" for use in training and in operations                        |
|                              | FCTM | ON    | PDF                              | C    | N/A | 90    |   |
| Cabib Crew Operating Manual  | FCTM | OFF   | XML                              | C    | 1   | 90    | XML data for further processing/customization by the Buyer  |
|                              | CCOM | OFF   | CD-P                             | C    | 10  | 90    | <u>LR Aircraft</u> : A330-200/ > only for aircraft equipped with enhanced cabin (Mod 48819)                   |
|                              |      | ON    | PDF                              | C    | N/A | 90    | <u>SA Aircraft</u> : Basic for all A319/A320/A321 equipped with new CIDS /FAP                                 |
| Flight Manual                |      | OFF   | XML                              | C    | 1   | 90    | CCOM not available for aircraft with old CIDS re-installed ( A319 Mod 34898, A320 Mod 34856, A321 Mod 34997 ) |
|                              |      | ON    | PDF                              | C    | N/A | 0     | XML data are for further processing by the Buyer  |
|                              | FM   | OFF   | P2                               | C    | 1   | 0     | Plus one copy per Aircraft at Delivery  |
|                              | FM   | OFF   | CD-P                             | C    | 5   | 0     |   |
|                              | FM   | ON    | PDF                              | C    | N/A | 0     |   |

SA = Single Aisle: A318/A319/A320/A321 / LR = Long Range: A330/A340

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EXHIBIT G

NOMENCLATURE

**OPERATIONAL MANUALS AND DATA**

|   | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                      | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|---|-------------|--------------|----------------------------------|-------------|------------|--------------|---|
| Master Minimum Equipment List                                       | MMEL        | OFF          | P2                               | C           | 2          | 180          | Per crew quantity / Plus one copy per Aircraft at Delivery  |
|   | MMEL        | OFF          | CD-P                             | C           | 2          | 180          | PDF CD is fallback solution to paper for on-ground consultation only (For Temporary Revisions & OEB's, refer to paper)  |
|   | MMEL        | ON           | PDF                              | C           | N/A        | 180          |   |
|   | MMEL        | OFF          | SGML                             | C           | 1          | 180          | Applicable for SA and LR Aircraft.<br><br>SGML data, including Parts 1 and 2, for further processing by the Buyer. Part 3 ( Maintenance procedures ) not covered.<br><br>Recommended for issue of MEL by using the Starter Pack (for conversion of SGML Data to e.g. Framemaker or MS Word RTF format ) |
| Quick Reference Handbook (if required by Airworthiness Authorities) | QRH         | OFF          | P2                               | C           | 2          | 90           | Per crew quantity / Plus one copy per Aircraft at Delivery  |
| Trim Sheet  | TS          | OFF          | WordDoc                          | C           | 1          | 0            | Office Automation format (.doc) for further processing by the Buyer   |
| Weight and Balance Manual   | WBM         | OFF          | P1                               | C           | 1          | 0            | Fleet customized WBM for reference in central Library<br><br>(* ) plus one copy per Aircraft at Delivery. For the WBM the flight deck copy is an advance copy only of the customized manual, not subject to revision or updating. Weighing Equipment List delivered two weeks after Aircraft Delivery   |
|   | WBM         | OFF          | CD-P                             | C           | 5          | 0            | Available for SA aircraft   |
|   | WBM         | ON           | PDF                              | C           | N/A        | 0            | Available for SA aircraft   |
| Performance Engineer's Programs                                     | PEP         | ON           | Advanced Consultation Tool       | C           | 1          | 90           |   |
|   | PEP         | OFF          | Advanced Consultation Tool on CD | C           | N/A        | 90           |   |
| Performance Programs Manual   | PPM         | OFF          | Advanced Consultation Tool on CD | C           | 1          | 90           | Included in the PEP CD  |

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EXHIBIT GNOMENCLATURE**MAINTENANCE AND ASSOCIATED  
MANUALS**

|   | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                                | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|---|-------------|--------------|--|-------------|------------|--------------|--|
| <u>AirN@v / Maintenance</u> , including:<br>Aircraft Maintenance Manual<br>Illustrated Parts Catalog (Airframe)<br>Trouble Shooting Manual<br>Aircraft Schematics Manual<br>Aircraft Wiring Lists<br>Aircraft Wiring Manual<br>Electrical Standard Practices Manual | AirN@v      | ON           | Advanced<br>Consultation<br>Tool           | C           | N/A        | 90           |  |
| <u>AirN@v / Associated Data</u><br>Consumable Material List<br>Standards Manual   | AirN@v      | OFF          | Advanced<br>Consultation<br>Tool on<br>DVD | C           | 20         | 90           | Recommended basic delivery quantity  |
|   |             |              |  | G           |            |              |  |
| Technical Follow-up   | TFU         | OFF          | CD-P                                       | E           | 20         | 90           | TFU for Trouble shooting & maintenance,<br>to be used with AirN@v  |
| Aircraft Maintenance Manual   | AMM         | ON           | PDF  | C           | N/A        | 90           |  |
|   | AMM         | OFF          | CD-P                                       | C           | 3          | 90           | Fallback solution to <u>AirN@v / Maintenance</u>   |
|   | AMM         | OFF          | SGML                                       | C           | 1          | 90           | If selected by the Buyer, SGML format will<br>not be automatically supplied.<br><br>Effective delivery will only take place upon<br>explicit request from the Buyer (Graphics<br>in TIFF or CGM, to be specified). |
| Aircraft Schematics Manual  | ASM         | ON           | PDF  | C           | N/A        | 90           |  |
|   | ASM         | OFF          | CD-P                                       | C           | 3          | 90           | Fallback solution to <u>AirN@v /<br/>Maintenance</u> :   |
|   | ASM         | OFF          | SGML                                       | C           | 1          | 90           | If selected by the Buyer, SGML format will<br>not be automatically supplied.<br><br>Effective delivery will only take place upon<br>explicit request from the Buyer (Graphics<br>in TIFF or CGM, to be specified). |

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EXHIBIT G

NOMENCLATURE

**MAINTENANCE AND ASSOCIATED  
MANUALS (Cont'd)**

|                           | <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|---------------------------|-------------|--------------|-------------|-------------|------------|--------------|---|
| Aircraft Wiring List      | AWL         | ON           | PDF         | C           | N/A        | 90           |   |
|                           | AWL         | OFF          | CD-P        | C           | 3          | 90           | Fallback solution to <a href="mailto:AirN@v">AirN@v</a> / Maintenance   |
|                           | AWL         | OFF          | SGML        | C           | 1          | 90           | If selected by the Buyer, SGML format will not be automatically supplied.<br><br>Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified). |
| Aircraft Wiring Manual    | AWM         | ON           | PDF         | C           | N/A        | 90           |   |
|                           | AWM         | OFF          | CD-P        | C           | 3          | 90           | Fallback solution to <a href="mailto:AirN@v">AirN@v</a> / Maintenance   |
|                           | AWM         | OFF          | SGML        | C           | 1          | 90           | If selected by the Buyer, SGML format will not be automatically supplied.<br><br>Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified). |
| Component Location Manual | CLM         | ON           | PDF         | C           | N/A        | 90           | For SA and LR Aircraft  |
|                           | CLM         | OFF          | CD-P        | C           | 3          | 90           |   |
| Consumable Material List  | CML         | OFF          | SGML        | G           | 1          | 180          | If selected by the Buyer, SGML format will not be automatically supplied.<br><br>Effective delivery will only take place upon explicit request from the Buyer   |
| Duct Repair Manual        | DRM         | ON           | PDF         | G           | N/A        | 90           |   |
|                           | DRM         | OFF          | CD-P        | G           | 1          | 90           |   |
| Ecram System Logic Data   | ESLD        | ON           | PDF         | E           | N/A        | 90           | For SA & LR aircraft  |
|                           | ESLD        | OFF          | CD-P        | E           | 5          | 90           |   |

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EXHIBIT GNOMENCLATURE**MAINTENANCE AND ASSOCIATED  
MANUALS (Cont'd)**

|   | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                            | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|---|-------------|--------------|--|-------------|------------|--------------|---|
| Electrical Load Analysis                | ELA         | OFF          | PDF/RTF/<br>Excel                      | C           | 1          | +30          | One ELA supplied for each Aircraft,<br>delivered one month after Aircraft Delivery<br><br>PDF File + Office automation format RTF<br>& Excel file delivered on one single CD for<br>ELA updating by the Buyer               |
| Electrical Standard Practices Manual    | ESPM        | ON           | PDF                                    | G           | N/A        | 90           |   |
|   | ESPM        | OFF          | CD-P                                   | G           | 3          | 90           | Fallback solution to <a href="#">AirN@v</a>   |
|   | ESPM        | OFF          | SGML                                   | G           | 1          | 90           | If selected by the Buyer, SGML format will<br>not be automatically supplied<br><br>Effective delivery will only take place upon<br>explicit request from the Buyer<br>(Graphics format in TIFF or CGM, to be<br>specified). |
| Electrical Standard Practices booklet   | ESP         | OFF          | P2*                                    | G           | 20         | 90           | *Pocket size format booklets for ground<br>mechanics  |
| Flight Data Recording Parameter Library | FDRPL       | OFF          | Advanced<br>Consultation<br>Tool on CD | E           | 5          | 90           | For SA & LR aircraft  |
| Fuel Pipe Repair Manual                 | FPRM        | ON           | PDF                                    | G           | N/A        | 90           |   |
|   | FPRM        | OFF          | CD-P                                   | G           | 1          | 90           |   |
| Illustrated Parts Catalog (Airframe)    | IPC         | ON           | PDF                                    | C           | N/A        | 90           |   |
|   | IPC         | OFF          | CD-P                                   | C           | 3          | 90           | Fallback solution to <a href="#">AirN@v</a> /<br>Maintenance  |
|   | IPC         | OFF          | SGML                                   | C           | 1          | 90           | If selected by the Buyer, SGML format will<br>not be automatically supplied.<br><br>Effective delivery will only take place upon<br>explicit request from the Buyer (Graphics<br>in TIFF or CGM, to be specified).          |
| Illustrated Parts Catalog (Powerplant)  | PIPC        | ON           | PDF                                    | C           | N/A        | 90           |   |
|   | PIPC        | OFF          | CD-P                                   | C           | 20         | 90           | Integrated in the SA aircraft IPC for IAE<br>V2500 A1/A3 Engines.<br><br>*For other Aircraft and engine types,<br>supplied by Propulsion Systems<br>Manufacturer concurrently with the<br>Airframe IPC.                     |

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EXHIBIT G

| <u>NOMENCLATURE</u>   | <u>Abbr</u>                        | <u>Avail</u> | <u>Form</u>                       | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|---|------------------------------------|--------------|-----------------------------------|-------------|------------|--------------|---|
| <b>MAINTENANCE AND ASSOCIATED MANUALS (Cont'd)</b>  |                                    |              |                                   |             |            |              |   |
| Maintenance Planning Document   | MPD                                | ON           | PDF                               | E           | N/A        | 360          | Includes 3 files : PDF, Excel and Text File   |
|   | MPD                                | OFF          | CD-P                              | E           | 5          | 360          | Life Limited Parts / LLP information included in ><br>-Section 9.1 of MPD for LR aircraft<br>-SMD for SA aircraft / refer below                     |
| Maintenance Review Board Report   | MRBR                               | ON           | PDF                               | E           | N/A        | 360          | For LR aircraft : MRB Report document includes the Certification Maintenance Requirements (CMR) and Airworthiness Limitation Items (ALI) documents. |
|   | MRBR                               | OFF          | CD-P                              | E           | 5          | 360          |   |
| Scheduled Maintenance Data  | SMD                                | ON           | PDF                               | E           | NA         | 360          | For SA aircraft > SMD is the Airbus repository for the Maintenance Review Board Report / MRBR & the Airworthiness Limitation Section / ALS          |
|   | SMD                                | OFF          | CD-P                              | E           | 5          | 360          | Includes PDF files and Excel tables<br>SMD issue for LR aircraft planned 2nd half 2006  |
| Illustrated Tool and Equipment Manual   | TEM/TEI                            | ON           | PDF                               | G           | N/A        | 360          |   |
| Tool and Equipment Index  |                                    | OFF          | CD-P                              | G           | 5          | 360          | TEI & TEM are grouped on a single CD  |
| Tool & Equipment Bulletins  | TEB                                | OFF          | P2                                | E           | 5          | N/A          |   |
| Tool and Equipment Drawings   | TED                                | ON           | Advanced Consultation Tool        | E           | N/A        | 360          | On-line Consultation from Engineering Drawings Service  |
| <u>AirN@v / Engineering</u> , including:<br>Airworthiness Directives / AD<br>Consignes de Navigabilite / CN ( French DGAC )<br>All Operator Telex / AOT<br>Operator Information Telex / OIT<br>Flight Operator Telex / FOT<br>Modification / MOD<br>Modification Proposal / MP<br>Service Bulletin / SB<br>Service Information Letter / SIL<br>Technical Follow-Up / TFU<br>Vendor Service Bulletin / VSB | Engineering Technical Data Service | ON           | Advanced Consultation Tool        | C           | N/A        | 90           | Outstations with no On-Line connection to Airbus\World to be supplied with one DVD set  |
|   | AirN@v                             | OFF          | Advanced Consultation Tool on DVD | C           | 5          | 90           |   |

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EXHIBIT G

NOMENCLATURE

**MAINTENANCE AND ASSOCIATED  
MANUALS (Cont'd)**

| <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u> |
|-------------|--------------|-------------|-------------|------------|--------------|-----------------|
|-------------|--------------|-------------|-------------|------------|--------------|-----------------|

Trouble Shooting Manual

|         |      |   |     |    |  |   |
|---------|------|---|-----|----|--|---|
| TSM ON  | PDF  | C | N/A | 90 |  |   |
| TSM OFF | CD-P | C | 3   | 90 |  | Fallback solution to <a href="mailto:AirN@v">AirN@v</a> / Maintenance   |
| TSM OFF | SGML | C | 1   | 90 |  | If selected by the Buyer, SGML format will not be automatically supplied.<br><br>Effective delivery will only take place upon explicit request from the Buyer<br>Graphics in TIFF or CGM format to be specified |

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EXHIBIT G

NOMENCLATURE

**STRUCTURAL MANUALS**

Nondestructive Testing Manual

| <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>                    |
|-------------|--------------|-------------|-------------|------------|--------------|------------------------------------|
| NTM         | ON           | PDF         | E           | N/A        | 90           |                                    |
| NTM         | OFF          | CD-P        | E           | 5          | 90           |                                    |
| NSRM        | OFF          | CD-P        | E           | 10         | 90           |                                    |
| SRM         | ON           | PDF         | E           | N/A        | 90           |                                    |
| SRM         | OFF          | CD-P        | E           | 10         | 90           |                                    |
| SRM         | OFF          | SGML        | E           | 1          | 90           | Applicable for SA and LR Aircraft. |

Structural Repair Manual

If selected by the Buyer, SGML format will not be automatically supplied.

Effective delivery will only take place upon explicit request from the Buyer Graphics format in TIFF or CGM to be specified

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EXHIBIT G

NOMENCLATURE

**OVERHAUL DATA**

|  | <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|--|-------------|--------------|-------------|-------------|------------|--------------|--|
| Component Documentation Status                 | CDS         | OFF          | D           | C           | 1          | 180          | Revised until 180 days after Aircraft Delivery   |
| Component Evolution List                       | CEL         | ON           | PDF         | G           | N/A        | -            |  |
|  | CEL         | OFF          | CD-P        | G           | 1          | -            | Delivered as follow-on for CDS.  |
| Component Maintenance Manual –<br>Manufacturer | CMMM        | ON           | PDF         | E           | N/A        | 180          |  |
|  | CMMM        | OFF          | CD-P        | E           | 1          | 180          |  |
| Component Maintenance Manual – Vendor          | CMMV        | OFF          | CD-P        | E           | 1          | 180          | PDF on CD to be provided by Vendors. If more than one Airbus aircraft type in operation with the Buyer, dispatch of the “common” CMMV only |
|  | CMMV        | ON           | PDF         | E           | N/A        | 180          | Available from the “Supplier Technical Documentation “ Service in AirbusWorld  |

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EXHIBIT G

NOMENCLATURE

**ENGINEERING DOCUMENTS**

|                                    | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|------------------------------------|-------------|--------------|----------------------------|-------------|------------|--------------|---|
| Mechanical Drawings                | MD          | ON           | Advanced Consultation Tool | C           | N/A        | 0            | On-line Consultation from Engineering Drawings Service  |
| Parts Usage (Effectivity)          | PU          | ON           | Advanced Consultation Tool | C           | N/A        | 0            | On-line Consultation from Engineering Drawings Service  |
| Parts List                         | PL          | ON           | Advanced Consultation Tool | C           | N/A        | 0            | On-line Consultation from Engineering Drawings Service  |
| Standards Manual                   | SM          | OFF          | SGML                       | G           | 1          | 180          | If selected by the Buyer, SGML format will not be automatically supplied.<br><br>Effective delivery will only take place upon explicit request from the Buyer |
| Process and Material Specification | PMS         | ON           | PDF                        | G           | N/A        | 0            |   |
|                                    | PMS         | OFF          | CD-P                       | G           | 1          | 0            |   |

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EXHIBIT G

| <u>NOMENCLATURE</u>  | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                      | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|--|-------------|--------------|----------------------------------|-------------|------------|--------------|---|
| <b>MISCELLANEOUS PUBLICATIONS</b>  |             |              |                                  |             |            |              |   |
| Airplane Characteristics for Airport Planning / AC   | AMVG        | ON           | PDF                              | E           | N/A        | 360          | Available On-Line from the Airbus I World   |
| Maintenance Facility Planning / MFP Ground Support Equipment Vendor Information Manual / GSE VIM | AMVG        | OFF          | CD-P                             | E           | 5          | 360          | AC, MFP and GSE VIM are grouped on one single CD / Back-up set to On-Line access  |
| ATA 100 Breakdown  | ATAB        | OFF          | CD-P                             | E           | 5          | 360          | 6DigitsATA100Breakdown  |
| C@DETS /Technical Data Training Software   | C@DETS      | OFF          | Advanced Consultation Tool on CD | G           | 5          | 360          | Training Software applicable to major Maintenance , Material , Repair Technical Data and to Maintenance Associated Data |
|  | C@DETS      | ON           | PDF                              | G           | NA         | 360          |   |
| Aircraft Recovery Manual   | ARM         | ON           | PDF                              | E           | N/A        | 90           |   |
|  | ARM         | OFF          | CD-P                             | E           | 1          | 90           |   |
| Aircraft Rescue & Firefighting Chart   | ARFC        | ON           | PDF                              | E           | N/A        | 180          | Available On-Line from the Airbus I World   |
| Crash Crew Chart   | CCC         | OFF          | P1                               | E           | 20         | 180          |   |
| Cargo Loading System Manual  | CLS         | ON           | PDF                              | E           | N/A        | 180          |   |
|  | CLS         | OFF          | CD-P                             | E           | 1          | 180          | One CLS per delivered Aircraft  |
| List of Effective Technical Data   | LETD        | ON           | PDF                              | C           | N/A        | 90           |   |
|  | LETD        | OFF          | CD-P                             | C           | 1          | 90           |   |
| List of Radioactive and Hazardous Elements   | LRE         | ON           | PDF                              | G           | N/A        | 90           |   |
|  | LRE         | OFF          | CD-P                             | G           | 1          | 90           |   |
| Livestock Transportation Manual  | LTM         | ON           | PDF                              | E           | N/A        | 90           |   |
|  | LTM         | OFF          | CD-P                             | E           | 1          | 90           |   |
| Service Bulletins  | SB          | ON           | Advanced Consultation Tool       | C           | N/A        | 0            | Full content available from the Airbus I World / SB Index available from AirN@v / Engineering on DVD                    |
|  | SB          | OFF          | CD-P                             | C           | 1          | 0            | One CD per SB issued and/or revised   |

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EXHIBIT G

NOMENCLATURE

**MISCELLANEOUS PUBLICATIONS**

|  | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                      | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|--|-------------|--------------|----------------------------------|-------------|------------|--------------|--|
| Supplier Product Support Agreements 2000 | SPSA        | ON           | PDF                              | G           | N/A        | 360          | Based on General Conditions of Purchase (GCP) 2000 issue 5 |
|  | SPSA        | OFF          | CD-P                             | G           | 5          | 360          |  |
| Transportability Manual                  | TM          | OFF          | CD-P                             | G           | 1          | 180          |  |
| Vendor Information Manual                | VIM         | ON           | Advanced Consultation Tool       | G           | N/A        | 360          |  |
|  | VIM         | OFF          | Advanced Consultation Tool on CD | G           | 5          | 360          |  |

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EXHIBIT G

**EXHIBIT G**

**TECHNICAL DATA INDEX**

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Exhibit G - 1/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT G

**TECHNICAL DATA INDEX**

Where applicable data will be established in general compliance with ATA Specification 2200 (iSpec2200), Information Standards for Aviation Maintenance (Revision 2005).

The following index identifies the Technical Data provided in support of the Aircraft.

The explanation of the table is as follows:

NOMENCLATURE Self-explanatory.

ABBREVIATED DESIGNATION (Abbr) Self-explanatory.

AVAILABILITY (Avail)

Technical Data can be made available :

- ON-LINE (ON) through the relevant service on AirbusWorld, and / or
- OFF-LINE (OFF) through the most suitable means applicable to the size of the concerned document (e.g CD or DVD).

FORMAT (Form)

Following Technical Data formats may be used:

- SGML - Standard Generalized Mark-up Language, which allows further data processing by the Buyer.
- XML - Evolution of the SGML format to cope with WEB technology requirements.
- PDF (PDF) - Portable Document Format allowing data consultation.
- Advanced Consultation Tool - refers to Technical Data Consultation application that offers advanced consultation & navigation functionality compared to PDF. Both browser software & Technical Data are packaged together.
- P1 / P2 - refers to manuals printed on one side or both sides of the sheet.
- CD-P - refers to CD-Rom including Portable Document Format (PDF) Data.

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Exhibit G - 2/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- TYPE
- C CUSTOMIZED. Refers to manuals that are applicable to an individual Airbus customer/operator fleet or aircraft.
  - G GENERIC. Refers to manuals that are applicable for all Airbus aircraft types/models/series.
  - E ENVELOPE. Refers to manuals that are applicable to a whole group of Airbus customers for a specific aircraft type/model/series.

QUANTITY (Qty) Self-explanatory for physical media.

DELIVERY (Deliv) Delivery refers to scheduled delivery dates and is expressed in either the number of corresponding days prior to first Aircraft delivery, or nil (0) corresponding to the first delivery day.  
The number of days indicated shall be rounded up to the next regular revision release date.

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Exhibit G - 3/15

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT G

NOMENCLATURE

OPERATIONAL MANUALS AND DATA

|                              | Abbr | Avail | Form                             | Type | Qty | Deliv | Comments  |
|------------------------------|------|-------|----------------------------------|------|-----|-------|---|
| Flight Crew Operating Manual | FCOM | OFF   | P2                               | C    | *** | ***   | Per crew quantity / Plus one copy per Aircraft at Delivery  |
|                              | FCOM | OFF   | CD-P                             | C    | *** | ***   |   |
|                              | FCOM | ON    | PDF                              | C    | *** | ***   | PDF is fallback solution to paper for on-ground consultation only   |
|                              | FCOM | ON    | Advanced Consultation Tool       | C    | *** | ***   | FCOM Module including 0EB & TR download & consultation  |
|                              | FCOM | OFF   | Advanced Consultation Tool on CD | C    | *** | ***   | SGML shall be used to process Buyer's own FCOM for delivery to flight crew  |
|                              | FCOM | OFF   | SGML                             | C    | *** | ***   | Applicable for SA and LR Aircraft.  |
|                              | FCOM | OFF   | CD-P                             | C    | *** | ***   | FCTM is a supplement to FCOM / a "Pilot's guide" for use in training and in operations  |
| Flight Crew Training Manual  | FCTM | ON    | PDF                              | C    | *** | ***   |   |
|                              | FCTM | OFF   | XML                              | C    | *** | ***   | XML data for further processing/customization by the Buyer  |
|                              |      |       |                                  |      |     |       |   |
| Cabib Crew Operating Manual  | CCOM | OFF   | CD-P                             | C    | *** | ***   | <u>LR Aircraft:</u> A330-200/ > only for aircraft equipped with enhanced cabin (Mod 48819)  |
|                              |      | ON    | PDF                              | C    | *** | ***   | <u>SA Aircraft:</u> . Basic for all A319/A320/A321 equipped with new CIDS /FAP  |
|                              |      | OFF   | XML                              | C    | *** | ***   | CCOM not available for aircraft with old CIDS re-installed ( A319 Mod 34898, A320 Mod 34856, A321 Mod 34997 )<br>XML data are for further processing by the Buyer |
| Flight Manual                | FM   | OFF   | P2                               | C    | *** | ***   | Plus one copy per Aircraft at Delivery  |
|                              | FM   | OFF   | CD-P                             | C    | *** | ***   |   |
|                              | FM   | ON    | PDF                              | C    | *** | ***   |   |

SA = Single Aisle: A318/A319/A320/A321 / LR = Long Range: A330/A340

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EXHIBIT G

NOMENCLATURE

**OPERATIONAL MANUALS AND DATA**

|   | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                      | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|---|-------------|--------------|----------------------------------|-------------|------------|--------------|---|
| Master Minimum Equipment List                                       | MMEL        | OFF          | P2                               | C           | ***        | ***          | Per crew quantity / Plus one copy per Aircraft at Delivery  |
|   | MMEL        | OFF          | CD-P                             | C           | ***        | ***          | PDF CD is fallback solution to paper for on-ground consultation only (For Temporary Revisions & OEB's, refer to paper)  |
|   | MMEL        | ON           | PDF                              | C           | ***        | ***          |   |
|   | MMEL        | OFF          | SGML                             | C           | ***        | ***          | Applicable for SA and LR Aircraft.<br><br>SGML data, including Parts 1 and 2, for further processing by the Buyer. Part 3 ( Maintenance procedures ) not covered.<br><br>Recommended for issue of MEL by using the Starter Pack (for conversion of SGML Data to e.g. Framemaker or MS Word RTF format ) |
| Quick Reference Handbook (if required by Airworthiness Authorities) | QRH         | OFF          | P2                               | C           | ***        | ***          | Per crew quantity / Plus one copy per Aircraft at Delivery  |
| Trim Sheet  | TS          | OFF          | WordDoc                          | C           | ***        | ***          | Office Automation format (.doc) for further processing by the Buyer   |
| Weight and Balance Manual   | WBM         | OFF          | P1                               | C           | ***        | ***          | Fleet customized WBM for reference in central Library<br><br>(* plus one copy per Aircraft at Delivery. For the WBM the flight deck copy is an advance copy only of the customized manual, not subject to revision or updating. Weighing Equipment List delivered two weeks after Aircraft Delivery     |
|   | WBM         | OFF          | CD-P                             | C           | ***        | ***          | Available for SA aircraft   |
|   | WBM         | ON           | PDF                              | C           | ***        | ***          | Available for SA aircraft   |
| Performance Engineer's Programs                                     | PEP         | ON           | Advanced Consultation Tool       | C           | ***        | ***          |   |
|   | PEP         | OFF          | Advanced Consultation Tool on CD | C           | ***        | ***          |   |
| Performance Programs Manual   | PPM         | OFF          | Advanced Consultation Tool on CD | C           | ***        | ***          | Included in the PEP CD  |

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EXHIBIT G

NOMENCLATURE

MAINTENANCE AND ASSOCIATED  
MANUALS

|   | Abbr   | Avail | Form                           | Type | Qty | Deliv | Comments   |
|---|--------|-------|--------------------------------|------|-----|-------|--|
| <u>AirN@v / Maintenance</u> , including : | AirN@v | ON    | Advanced                       | C    | *** | ***   |  |
| Aircraft Maintenance Manual               |        |       | Consultation<br>Tool           |      |     |       |  |
| Illustrated Parts Catalog (Airframe)      | AirN@v | OFF   | Advanced                       | C    | *** | ***   | Recommended basic delivery quantity  |
| Trouble Shooting Manual                   |        |       | Consultation<br>Tool on<br>DVD |      |     |       |  |
| Aircraft Schematics Manual                |        |       |                                |      |     |       |  |
| Aircraft Wiring Lists                     |        |       |                                |      |     |       |  |
| Aircraft Wiring Manual                    |        |       |                                |      |     |       |  |
| Electrical Standard Practices Manual      |        |       |                                |      |     |       |  |
| <u>AirN@v / Associated Data</u>           |        |       |                                | G    |     |       |  |
| Consumable Material List                  |        |       |                                |      |     |       |  |
| Standards Manual                          |        |       |                                |      |     |       |  |
| Technical Follow-up                       | TFU    | OFF   | CD-P                           | E    | *** | ***   | TFU for Trouble shooting & maintenance,<br>to be used with AirN@v  |
| Aircraft Maintenance Manual               | AMM    | ON    | PDF                            | C    | *** | ***   |  |
|   | AMM    | OFF   | CD-P                           | C    | *** | ***   | Fallback solution to <u>AirN@v /</u><br>Maintenance  |
|   | AMM    | OFF   | SGML                           | C    | *** | ***   | If selected by the Buyer, SGML format<br>will not be automatically supplied .<br>Effective delivery will only take place<br>upon explicit request from the Buyer<br><br>(Graphics in TIFF or CGM, to be<br>specified). |
| Aircraft Schematics Manual                | ASM    | ON    | PDF                            | C    | *** | ***   |  |
|   | ASM    | OFF   | CD-P                           | C    | *** | ***   | Fallback solution to <u>AirN@v /</u><br>Maintenance :  |
|   | ASM    | OFF   | SGML                           | C    | *** | ***   | If selected by the Buyer, SGML format<br>will not be automatically supplied .<br>Effective delivery will only take place<br>upon explicit request from the Buyer<br><br>(Graphics in TIFF or CGM, to be<br>specified). |

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EXHIBIT G

NOMENCLATURE

**MAINTENANCE AND ASSOCIATED  
MANUALS (Cont'd)**

|                           | <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|---------------------------|-------------|--------------|-------------|-------------|------------|--------------|--|
| Aircraft Wiring List      | AWL         | ON           | PDF         | C           | ***        | ***          |  |
|                           | AWL         | OFF          | CD-P        | C           | ***        | ***          | Fallback solution to <u>AirN@v</u> / Maintenance   |
|                           | AWL         | OFF          | SGML        | C           | ***        | ***          | If selected by the Buyer, SGML format will not be automatically supplied. Effective delivery will only take place upon explicit request from the Buyer<br><br>(Graphics in TIFF or CGM, to be specified).        |
| Aircraft Wiring Manual    | AWM         | ON           | PDF         | C           | ***        | ***          |  |
|                           | AWM         | OFF          | CD-P        | C           | ***        | ***          | Fallback solution to <u>AirN@v</u> / Maintenance   |
|                           | AWM         | OFF          | SGML        | C           | ***        | ***          | If selected by the Buyer, SGML format will not be automatically supplied.<br><br>Effective delivery will only take place upon explicit request from the Buyer<br><br>(Graphics in TIFF or CGM, to be specified). |
| Component Location Manual | CLM         | ON           | PDF         | C           | ***        | ***          | For SA and LR Aircraft   |
|                           | CLM         | OFF          | CD-P        | C           | ***        | ***          |  |
| Consumable Material List  | CML         | OFF          | SGML        | G           | ***        | ***          | If selected by the Buyer, SGML format will not be automatically supplied. Effective delivery will only take place upon explicit request from the Buyer   |
| Duct Repair Manual        | DRM         | ON           | PDF         | G           | ***        | ***          |  |
|                           | DRM         | OFF          | CD-P        | G           | ***        | ***          |  |
| Ecam System Logic Data    | ESLD        | ON           | PDF         | E           | ***        | ***          | For SA & LR aircraft   |
|                           | ESLD        | OFF          | CD-P        | E           | ***        | ***          |  |

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EXHIBIT G

NOMENCLATURE

MAINTENANCE AND ASSOCIATED  
MANUALS (Cont'd)

|   | Abbr  | Avail | Form                                   | Type | Qty | Deliv | Comments   |
|---|-------|-------|--|------|-----|-------|--|
| Electrical Load Analysis                | ELA   | OFF   | PDF/RTF/<br>Excel                      | C    | *** | ***   | One ELA supplied for each Aircraft, delivered one month after Aircraft Delivery<br><br>PDF File + Office automation format RTF & Excel file delivered on one single CD for ELA updating by the Buyer                   |
| Electrical Standard Practices Manual    | ESPM  | ON    | PDF                                    | G    | *** | ***   |  |
|   | ESPM  | OFF   | CD-P                                   | G    | *** | ***   | Fallback solution to <u>AirN@v</u>   |
|   | ESPM  | OFF   | SGML                                   | G    | *** | ***   | If selected by the Buyer, SGML format will not be automatically supplied<br><br>Effective delivery will only take place upon explicit request from the Buyer<br><br>(Graphics format in TIFF or CGM, to be specified). |
| Electrical Standard Practices booklet   | ESP   | OFF   | P2*                                    | G    | *** | ***   | *Pocket size format booklets for ground mechanics  |
| Flight Data Recording Parameter Library | FDRPL | OFF   | Advanced<br>Consultation<br>Tool on CD | E    | *** | ***   | For SA & LR aircraft   |
| Fuel Pipe Repair Manual                 | FPRM  | ON    | PDF                                    | G    | *** | ***   |  |
|   | FPRM  | OFF   | CD-P                                   | G    | *** | ***   |  |
| Illustrated Parts Catalog (Airframe)    | IPC   | ON    | PDF                                    | C    | *** | ***   |  |
|   | IPC   | OFF   | CD-P                                   | C    | *** | ***   | Fallback solution to <u>AirN@v</u> / Maintenance   |
|   | IPC   | OFF   | SGML                                   | C    | *** | ***   | If selected by the Buyer, SGML format will not be automatically supplied.<br>Effective delivery will only take place upon explicit request from the Buyer<br><br>(Graphics in TIFF or CGM, to be specified).           |
| Illustrated Parts Catalog (Powerplant)  | PIPC  | ON    | PDF                                    | C    | *** | ***   |  |
|   | PIPC  | OFF   | CD-P                                   | C    | *** | ***   | Integrated in the SA aircraft IPC for IAE V2500 A1/A3 Engines.<br><br>*For other Aircraft and engine types, supplied by Propulsion Systems Manufacturer concurrently with the Airframe IPC.                            |

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EXHIBIT GNOMENCLATURE**MAINTENANCE AND  
ASSOCIATED MANUALS  
(Cont'd)**

|  | <u>Abbr</u>                        | <u>Avail</u> | <u>Form</u>                       | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|--|------------------------------------|--------------|-----------------------------------|-------------|------------|--------------|--|
| Maintenance Planning Document  | MPD                                | ON           | PDF                               | E           | ***        | ***          | Includes 3 files: PDF, Excel and Text File   |
|  | MPD                                | OFF          | CD-P                              | E           | ***        | ***          | Life Limited Parts / LLP information included in ><br>-Section 9.1 of MPD for LR aircraft<br>-SMD for SA aircraft / refer below                    |
| Maintenance Review Board Report  | MRBR                               | ON           | PDF                               | E           | ***        | ***          | For LR aircraft: MRB Report document includes the Certification Maintenance Requirements (CMR) and Airworthiness Limitation Items (ALI) documents. |
|  | MRBR                               | OFF          | CD-P                              | E           | ***        | ***          |  |
| Scheduled Maintenance Data   | SMD                                | ON           | PDF                               | E           | ***        | ***          | For SA aircraft > SMD is the Airbus repository for the Maintenance Review Board Report / MRBR & the Airworthiness Limitation Section / ALS         |
|  | SMD                                | OFF          | CD-P                              | E           | ***        | ***          | Includes PDF files and Excel tables<br>SMD issue for LR aircraft planned 2nd half 2006   |
| Illustrated Tool and Equipment Manual  | TEM/TEI                            | ON           | PDF                               | G           | ***        | ***          |  |
| Tool and Equipment Index   |                                    | OFF          | CD-P                              | G           | ***        | ***          | TEI & TEM are grouped on a single CD   |
| Tool & Equipment Bulletins   | TEB                                | OFF          | P2                                | E           | ***        | ***          |  |
| Tool and Equipment Drawings  | TED                                | ON           | Advanced Consultation Tool        | E           | ***        | ***          | On-line Consultation from Engineering Drawings Service   |
| <u>AirN@v / Engineering</u> , including:<br>Airworthiness Directives / AD<br>Consignes de Navigabilite / CN ( French DGAC )  | Engineering Technical Data Service | ON           | Advanced Consultation Tool        | C           | ***        | ***          |  |
| All Operator Telex / AOT<br>Operator Information Telex / OIT<br>Flight Operator Telex / FOT<br>Modification / MOD<br>Modification Proposal / MP<br>Service Bulletin / SB<br>Service Information Letter / SIL<br>Technical Follow-Up / TFU<br>Vendor Service Bulletin / VSB | AirN@v                             | OFF          | Advanced Consultation Tool on DVD | C           | ***        | ***          | Outstations with no On-Line connection to Airbus/World to be supplied with one DVD set   |

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EXHIBIT G

NOMENCLATURE

**MAINTENANCE AND ASSOCIATED  
MANUALS (Cont'd)**

| <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u> |
|-------------|--------------|-------------|-------------|------------|--------------|-----------------|
|-------------|--------------|-------------|-------------|------------|--------------|-----------------|

Trouble Shooting Manual

|     |     |      |   |     |     |  |
|-----|-----|------|---|-----|-----|--|
| TSM | ON  | PDF  | C | *** | *** |  |
| TSM | OFF | CD-P | C | *** | *** | Fallback solution to <u>AirN@v</u> / Maintenance   |
| TSM | OFF | SGML | C | *** | *** | If selected by the Buyer, SGML format will not be automatically supplied. Effective delivery will only take place upon explicit request from the Buyer |
|     |     |      |   |     |     | Graphics in TIFF or CGM format to be specified   |

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EXHIBIT G

NOMENCLATURE

**STRUCTURAL MANUALS**

|                               | <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|-------------------------------|-------------|--------------|-------------|-------------|------------|--------------|---|
| Nondestructive Testing Manual | NTM         | ON           | PDF         | E           | ***        | ***          |   |
|                               | NTM         | OFF          | CD-P        | E           | ***        | ***          |   |
|                               | NSRM        | OFF          | CD-P        | E           | ***        | ***          |   |
| Structural Repair Manual      | SRM         | ON           | PDF         | E           | ***        | ***          |   |
|                               | SRM         | OFF          | CD-P        | E           | ***        | ***          |   |
|                               | SRM         | OFF          | SGML        | E           | ***        | ***          | Applicable for SA and LR Aircraft.<br>If selected by the Buyer, SGML format will not be automatically supplied.<br>Effective delivery will only take place upon explicit request from the Buyer<br><br>Graphics format in TIFF or CGM to be specified |

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EXHIBIT G

| <u>NOMENCLATURE</u>                            | <u>Abbr</u> | <u>Avail</u> | <u>Form</u> | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|--|-------------|--------------|-------------|-------------|------------|--------------|--|
| <b>OVERHAUL DATA</b>                           |             |              |             |             |            |              |  |
| Component Documentation Status                 | CDS         | OFF          | D           | C           | ***        | ***          | Revised until 180 days after Aircraft Delivery   |
| Component Evolution List                       | CEL         | ON           | PDF         | G           | ***        | ***          |  |
|  | CEL         | OFF          | CD-P        | G           | ***        | ***          | Delivered as follow-on for CDS.  |
| Component Maintenance Manual –<br>Manufacturer | CMMM        | ON           | PDF         | E           | ***        | ***          |  |
|  | CMMM        | OFF          | CD-P        | E           | ***        | ***          |  |
| Component Maintenance Manual – Vendor          | CMMV        | OFF          | CD-P        | E           | ***        | ***          | PDF on CD to be provided by Vendors. If more than one Airbus aircraft type in operation with the Buyer, dispatch of the “common” CMMV only |
|  | CMMV        | ON           | PDF         | E           | ***        | ***          | Available from the “Supplier Technical Documentation “ Service in Airbus\World   |

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EXHIBIT GNOMENCLATURE**ENGINEERING DOCUMENTS**

|                                    | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>   |
|------------------------------------|-------------|--------------|----------------------------|-------------|------------|--------------|---|
| Mechanical Drawings                | MD          | ON           | Advanced Consultation Tool | C           | ***        | ***          | On-line Consultation from Engineering Drawings Service  |
| Parts Usage (Effectivity)          | PU          | ON           | Advanced Consultation Tool | C           | ***        | ***          | On-line Consultation from Engineering Drawings Service  |
| Parts List                         | PL          | ON           | Advanced Consultation Tool | C           | ***        | ***          | On-line Consultation from Engineering Drawings Service  |
| Standards Manual                   | SM          | OFF          | SGML                       | G           | ***        | ***          | If selected by the Buyer, SGML format will not be automatically supplied.<br>Effective delivery will only take place upon explicit request from the Buyer |
| Process and Material Specification | PMS         | ON           | PDF                        | G           | ***        | ***          |   |
|                                    | PMS         | OFF          | CD-P                       | G           | ***        | ***          |   |

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EXHIBIT G

NOMENCLATURE

MISCELLANEOUS  
PUBLICATIONS

|  | Abbr   | Avail | Form                             | Type | Qty | Deliv | Comments  |
|--|--------|-------|----------------------------------|------|-----|-------|---|
| Airplane Characteristics for Airport Planning / AC   | AMVG   | ON    | PDF                              | E    | *** | ***   | Available On-Line from the Airbus I World   |
| Maintenance Facility Planning / MFP Ground Support Equipment Vendor Information Manual / GSE VIM | AMVG   | OFF   | CD-P                             | E    | *** | ***   | AC, MFP and GSE VIM are grouped on one single CD / Back-up set to On-Line access  |
| ATA 100 Breakdown  | ATAB   | OFF   | CD-P                             | E    | *** | ***   | 6 Digits ATA 100 Breakdown  |
| C@DETS /Technical Data Training Software   | C@DETS | OFF   | Advanced Consultation Tool on CD | G    | *** | ***   | Training Software applicable to major Maintenance , Material , Repair Technical Data and to Maintenance Associated Data |
|  | C@DETS | ON    | PDF                              | G    | *** | ***   |   |
| Aircraft Recovery Manual   | ARM    | ON    | PDF                              | E    | *** | ***   |   |
|  | ARM    | OFF   | CD-P                             | E    | *** | ***   |   |
| Aircraft Rescue & Firefighting Chart   | ARFC   | ON    | PDF                              | E    | *** | ***   | Available On-Line from the Airbus I World   |
| Crash Crew Chart   | CCC    | OFF   | P1                               | E    | *** | ***   |   |
| Cargo Loading System Manual  | CLS    | ON    | PDF                              | E    | *** | ***   |   |
|  | CLS    | OFF   | CD-P                             | E    | *** | ***   | One CLS per delivered Aircraft  |
| List of Effective Technical Data   | LETD   | ON    | PDF                              | C    | *** | ***   |   |
|  | LETD   | OFF   | CD-P                             | C    | *** | ***   |   |
| List of Radioactive and Hazardous Elements   | LRE    | ON    | PDF                              | G    | *** | ***   |   |
|  | LRE    | OFF   | CD-P                             | G    | *** | ***   |   |
| Livestock Transportation Manual  | LTM    | ON    | PDF                              | E    | *** | ***   |   |
|  | LTM    | OFF   | CD-P                             | E    | *** | ***   |   |
| Service Bulletins  | SB     | ON    | Advanced Consultation Tool       | C    | *** | ***   | Full content available from the Airbus I World / SB Index available from AirN@v / Engineering on DVD                    |
|  | SB     | OFF   | CD-P                             | C    | *** | ***   | One CD per SB issued and/or revised   |

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EXHIBIT G

| <u>NOMENCLATURE</u>                      | <u>Abbr</u> | <u>Avail</u> | <u>Form</u>                      | <u>Type</u> | <u>Qty</u> | <u>Deliv</u> | <u>Comments</u>  |
|--|-------------|--------------|----------------------------------|-------------|------------|--------------|--|
| <b>MISCELLANEOUS PUBLICATIONS</b>        |             |              |                                  |             |            |              |  |
| Supplier Product Support Agreements 2000 | SPSA        | ON           | PDF                              | G           | ***        | ***          | Based on General Conditions of Purchase (GCP) 2000 issue 5 |
|  | SPSA        | OFF          | CD-P                             | G           | ***        | ***          |  |
| Transportability Manual                  | TM          | OFF          | CD-P                             | G           | ***        | ***          |  |
| Vendor Information Manual                | VIM         | ON           | Advanced Consultation Tool       | G           | ***        | ***          |  |
|  | VIM         | OFF          | Advanced Consultation Tool on CD | G           | ***        | ***          |  |

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EXHIBIT "H"

**EXHIBIT "H"**

**MATERIAL**

**SUPPLY AND SERVICES**

A320 / A330 PA – TAM – 11/2006

Exhibit H - 1/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**1 GENERAL**

**1.1** This Exhibit defines the terms and conditions for the material support services offered by the Seller to the Buyer in the following areas:

- Initial provisioning of data and material
- Replenishment of material
- Lease of certain Seller Parts

1.1.1 Capitalized terms used herein and not otherwise defined in this Exhibit "H" shall have the same meanings assigned thereto in the Agreement.

1.1.2 References made to Clauses or sub-Clauses shall refer to Clauses or sub-Clauses of this Exhibit "H" unless otherwise specified.

**1.2 Scope of Material Support**

Material is classified into the following categories (hereinafter referred to as "**Material**"):

- (i) Seller Parts (Seller's proprietary Material bearing an official part number of the Seller or Material for which the Seller has the exclusive sales rights);
- (ii) Supplier Parts classified as Repairable Line Maintenance Parts in accordance with SPEC 2000;
- (iii) Supplier Parts classified as Expendable Line Maintenance Parts in accordance with SPEC 2000;
- (iv) Ground Support Equipment and Specific (To Type) Tools.

1.2.1 Certain Seller Parts listed in Appendix A of Clause 6 of Exhibit H are available for lease by the Seller to the Buyer.

1.2.2 The Material support to be provided hereunder by the Seller covers items classified as Material in sub-Clauses 1.2 (i) thru (iv) both for initial provisioning as described in Clause 2 ("**Initial Provisioning**") and for replenishment as described in Clause 3.

Repairable Line Maintenance Parts as specified in sub-Clauses 1.2 (i) and 1.2 (ii) above having [\*\*\*].

1.2.3 Engines, quick engine change kit accessories and parts, including associated parts, are not covered under this Exhibit "H" and shall be subject to direct agreements between the Buyer and the relevant Engines Manufacturer. The Seller shall use its reasonable efforts to assist the Buyer in case of any difficulties with availability of Engines and associated spare parts.

1.2.4 During a [\*\*\*] (the "**Term**"), the Seller shall maintain or have maintained such stock of Seller Parts as is deemed reasonable by the Seller and shall furnish at reasonable prices Seller Parts adequate to meet the Buyer's needs for maintenance of the Aircraft.

A320 / A330 PA – TAM – 11/2006

Exhibit H - 2/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

The Seller [\*\*\*] to obtain a similar service from all Suppliers of parts which are originally installed on the Aircraft and not manufactured by the Seller.

**1.3 Airbus Spares Support and Services Headquarter**

1.3.1 The Seller has established its Airbus Spares Support Centre in HAMBURG, FEDERAL REPUBLIC OF GERMANY (“**Airbus Spares Support Centre**”) and shall maintain or cause to be maintained during the Term a central store of Seller Parts.

1.3.2 The Airbus Spares Support Centre is operated twenty-four (24) hours/day and seven (7) days/week.

1.3.3 The Seller reserves the right to effect deliveries from distribution centres other than Airbus Spares Support Centre or from any designated production or Suppliers’ facilities.

For efficient and convenient deliveries, the Seller and its Affiliate companies operate regional satellite stores.

**1.4 Agreements of the Buyer**

1.4.1 The Buyer agrees to purchase from the Seller or its licensee(s) (“the Licensees”) the Seller Parts required for the Buyer’s own needs during the Term, provided that the provisions of this Clause 1.4 shall not in any way prevent the Buyer from resorting to the Seller Parts stocks of other operators using the same Aircraft or from purchasing Seller Parts from said operators or from distributors, provided said Seller Parts have been designed by the Seller and manufactured by the Seller or its Licensee(s).

1.4.2 The Buyer may manufacture or have manufactured for its own use without paying any license fee to the Seller parts equivalent to Seller Parts :

1.4.2.1 after expiration of the Term if at such time the Seller Parts are out of stock,

1.4.2.2 at any time, to the extent Seller Parts are needed to effect aircraft on ground (“**AOG**”) repairs upon any Aircraft delivered under the Agreement and are not available from the Seller or its Licensees within a lead time shorter than or equal to the time in which the Buyer can procure such Seller Parts, and provided the Buyer shall not sell such Seller Parts,

1.4.2.3 in the event that the Seller fails to fulfil its obligations with respect to any Seller Parts pursuant to Clause 1.2 within a reasonable time after written notice thereof from the Buyer,

1.4.2.4 in those instances where a Seller Part is identified as “Local Manufacture” in the Illustrated Parts Catalog (IPC).

1.4.3. The rights granted to the Buyer in Clause 1.4.2 shall not in any way be construed as a license, nor shall they in any way obligate the Buyer to the payment of any license fee or royalty, nor shall they in any way be construed to affect the rights of third parties.

A320 / A330 PA – TAM – 11/2006

Exhibit H - 3/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

1.4.4 Furthermore, in the event of the Buyer manufacturing or having manufactured any parts, subject to the conditions of Clause 1.4.2, such manufacturing and any use made of the manufactured part shall be under the sole liability of the Buyer and the consent given by the Seller shall not be construed as express or implicit approval howsoever either of the Buyer or of the manufactured parts.

It shall further be the Buyer's responsibility to ensure that such manufacturing is performed in accordance with the relevant procedures and Aviation Authority requirements.

1.4.5 The Buyer shall allocate or cause to be allocated its own partnumber to any part manufactured or caused to be manufactured subject to Clause 1.4.2 above. The Buyer shall not be allowed to use or cause to be used the Airbus Partnumber of the Seller Part to which such manufactured part is equivalent.

1.4.6 Notwithstanding any right provided to the Buyer under Clause 1.4.2, the Buyer shall not be entitled under any circumstances to sell any part manufactured or caused to be manufactured under Clause 1.4.2 to any third party.

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Exhibit H - 4/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT "H"

**2 INITIAL PROVISIONING**

**2.1 Initial Provisioning Period**

The **Initial Provisioning Period** is defined as the [\*\*\*].

**2.2 Pre-Provisioning Meeting**

2.2.1 The Seller shall organize a pre-provisioning meeting ("**Pre-Provisioning Meeting**") at its Airbus Spares Support Centre for the purpose of formulating an acceptable schedule and working procedure to accomplish the initial provisioning of Material.

2.2.2 The date of the meeting shall be mutually agreed upon by the Buyer and the Seller, allowing a [\*\*\*] for the Initial Provisioning Conference referred to in Clause 2.4 below.

**2.3 Initial Provisioning Training**

Upon the request of the Buyer, the Seller shall provide Initial Provisioning training for the Buyer's provisioning and purchasing personnel [\*\*\*]. The following areas shall be covered:

- (i) The Seller during the Pre-Provisioning Meeting shall familiarize the Buyer with the provisioning documents.
- (ii) The technical function as well as the necessary technical and commercial Initial Provisioning Data shall be explained during or prior to the Initial Provisioning Conference.
- (iii) A familiarization with the Seller's purchase order administration system shall be conducted during the Initial Provisioning Conference.

**2.4 Initial Provisioning Conference**

The Seller shall organize an Initial Provisioning conference ("**Initial Provisioning Conference**") at the Airbus Spares Support Centre, including participation of major Suppliers, which Initial Provisioning Conference shall take place on the date mutually agreed upon during the Pre-Provisioning Meeting.

Such conference shall not take place [\*\*\*] Manufacturer Serial Number allocation, Buyer Furnished Equipment selection or Contractual Definition Freeze of the first Aircraft, whichever is the latest. In preparation of the Initial Provisioning Meeting, the Seller shall provide a customized recommended spare parts list taking into consideration the Buyer's fleet size, network, etc.

A320 / A330 PA – TAM – 11/2006

Exhibit H - 5/22

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**2.5 Seller-Supplied Data**

The Seller shall prepare and supply to the Buyer the data set forth hereunder.

**2.5.1 Initial Provisioning Data**

Initial Provisioning data elements generally in accordance with SPEC 2000, Chapter 1, ("**Initial Provisioning Data**") shall be supplied by the Seller to the Buyer in a form, format and a time-scale to be mutually agreed upon during the Pre-Provisioning Meeting.

2.5.1.1 Revision service shall be provided [\*\*\*].

2.5.1.2 In any event, the Seller shall ensure that Initial Provisioning Data is released to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow the on-time delivery of any ordered Material.

**2.5.2 Supplementary Data**

The Seller shall provide the Buyer with supplementary data to the Initial Provisioning Data, including Local Manufacture Tables (X-File) and Ground Support Equipment and Specific (To-Type) Tools (W-File) in accordance with SPEC 2000, Chapter 1.

**2.5.3 Data for Standard Hardware**

The Initial Provisioning Data provided to the Buyer shall include data for hardware and standard material.

**2.6 Supplier-Supplied Data**

**2.6.1 General**

The Seller shall obtain from Suppliers agreements to prepare and issue for their own products as per Clause 1.2 (ii) repair/overhaul Initial Provisioning Data in the English language, for those components for which the Buyer has elected to receive data.

Said data (initial issue and revisions) shall be transmitted to the Buyer through the Suppliers and/or the Seller. The Seller shall not be responsible for the substance of such data.

In any event, the Seller shall exert its reasonable efforts to supply such Data to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow on-time deliveries.

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Exhibit H - 6/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**2.6.2 Initial Provisioning Data**

Initial Provisioning Data elements for Supplier Parts as per sub-Clause 1.2 (ii) generally in accordance with SPEC 2000, Chapter 1, shall be furnished as mutually agreed upon during a Pre-Provisioning Meeting with revision service assured up to the end of the Initial Provisioning period.

**2.7 Initial Provisioning Data Compliance**

2.7.1 Initial Provisioning Data generated by the Seller and supplied to the Buyer shall comply with the latest configuration of the Aircraft to which such data relate as known [\*\*\*] before the date of issue. Said data shall enable the Buyer to order Material conforming to its Aircraft as required for maintenance and overhaul.

This provision shall not cover:

- Buyer modifications not known to the Seller,
- modifications not agreed to by the Seller.

**2.8 Commercial Offer**

2.8.1 At the end of the Initial Provisioning Conference, the Seller shall, at the Buyer's request, submit a commercial offer for all Material as defined in Clauses 1.2 (i) thru 1.2 (iv) mutually agreed as being Initial Provisioning based on the Seller's sales prices valid at the time of finalization of the Initial Provisioning Conference. This commercial offer shall be valid for a period to be mutually agreed upon, irrespective of any price changes for Seller Parts during this period, except for significant error and/or price alterations due to part number changes and/or Supplier price changes.

2.8.2 During the Initial Provisioning Period the Seller shall supply Material, as defined in Clause 1.2 and ordered from the Seller, which shall be in conformity with the configuration standard of the concerned Aircraft and with the Initial Provisioning Data transmitted by the Seller.

2.8.3 The Seller shall in addition [\*\*\*] cause Suppliers to provide a similar service for their items.

**2.9 Delivery of Initial Provisioning Material**

2.9.1 To cover the requirements in Material for entry into service of the Aircraft, the Seller shall [\*\*\*] deliver Material ordered during the Initial Provisioning Period against the Buyer's orders and according to a mutually agreed schedule. Such deliveries shall cover the Material requirements in line with the Aircraft fleet build up, only up to that portion of the ordered quantity that is recommended for the number of Aircraft operated during the Initial Provisioning Period.

The Seller shall in addition use its reasonable efforts to cause Suppliers to provide to the Buyer a similar service for their items.

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Exhibit H - 7/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

- 2.9.2 The Buyer may, subject to the Seller's agreement, cancel or modify Initial Provisioning orders placed with the Seller, with no cancellation charge, not later than the quoted lead-time before scheduled delivery of said Material.
- 2.9.3 In the event of the Buyer cancelling or modifying (without any liability of the Seller for the cancellation or modification) any orders for Material outside the time limits defined in Clause 2.9.2, the Buyer shall reimburse the Seller for any costs incurred in connection therewith.
- 2.9.4 All transportation costs for the return of Material under this Clause 2, including any insurance, customs and duties applicable or other related expenditures, shall be borne by the Buyer.

**2.10 Initial Provisioning Data [\*\*\*]**

[\*\*\*]

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Exhibit H - 8/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

**3 REPLENISHMENT AND DELIVERY**

**3.1 General**

Buyer's purchase orders are administered in accordance with SPEC 2000, Chapter 3.

For the purpose of clarification it is expressly stated that the provisions of Clause 3.2 do not apply to Initial Provisioning Data and Material as described in Clause 2.

**3.2 Lead times**

In general, lead times are in accordance with the provisions of the "World Airlines and Suppliers' Guide" (Latest Edition).

3.2.1 Seller Parts as per sub-Clause 1.2 (i) listed in the Seller's Spare Parts Price Catalog can be dispatched within the lead times defined in the Spare Parts Price Catalog.

Lead times for Seller Parts, which are not published in the Seller's Spare Parts Price Catalog, are quoted upon request.

3.2.2 Material of sub-Clauses 1.2 (ii) thru 1.2 (iv) can be dispatched within the Supplier's lead-time augmented by the Seller's own order and delivery processing time.

**3.2.3 Expedite Service**

The Seller shall provide a twenty-four (24) hours-a-day, seven (7) days-a-week expedite service to provide for the supply of the relevant Seller Parts available in the Seller's stock, workshops and assembly line including long lead time spare parts, to the international airport nearest to the location of such part ("**Expedite Service**").

3.2.3.1 The Expedite Service is operated in accordance with the "World Airlines and Suppliers' Guide", and the Seller shall notify the Buyer of the action taken to satisfy the expedite within:

- four (4) hours after receipt of an AOG Order,
- twenty-four (24) hours after receipt of a Critical Order (imminent AOG or work stoppage),
- seven (7) days after receipt of an Expedite Order from the Buyer.

3.2.3.2 The Seller shall deliver Seller Parts requested on an Expedite basis against normal orders placed by the Buyer, or upon telephone or telex requests by the Buyer's representatives. Such telephone or telex requests shall be confirmed by subsequent Buyer's orders for such Seller Parts within a reasonable time.

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Exhibit H - 9/22

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**3.3 Delivery Status**

The Seller shall make available to the Buyer on the Airbus Spares Portal the status of supplies against orders.

**3.4 Excusable Delay**

Clause 10.1 of the Agreement shall apply to the Material support.

**3.5 Shortages, Overshipments, Non-Conformity in Orders**

3.5.1 The Buyer shall immediately and not later than thirty (30) days after receipt of Material delivered pursuant to a purchase order advise the Seller:

- a) of any alleged shortages or overshipments with respect to such order,
- b) of all non-conformities to specification of parts in such order subjected to inspections by the Buyer.

In the event of the Buyer not having advised the Seller of any such alleged shortages, overshipments or non-conformity within the above defined period, the Buyer shall be deemed to have accepted the deliveries.

3.5.2 In the event of the Buyer reporting overshipments or non-conformity to the specifications within the period defined in Clause 3.5.1 the Seller shall, if the Seller accepts such overshipment or non-conformity, either replace the concerned Material or credit the Buyer for the returned Material. In such case, transportation costs shall be borne by the Seller.

The Buyer shall endeavour to minimize such costs, particularly through the use of its own airfreight system for transportation at no charge to the Seller.

**3.6 Packaging**

All Material shall be packaged in accordance with ATA 300 Specification, Category III for consumable/expendable material and Category II for rotables. Category I containers shall be used if requested by the Buyer and the difference between Category I and Category II packaging costs shall be paid by the Buyer together with payment for the respective Material.

**3.7 Cessation of Deliveries**

The Seller reserves the right to restrict, stop or otherwise suspend deliveries if the Buyer fails to meet its obligations defined in Clauses 4.2 thru 4.4.

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Exhibit H - 10/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

**4 COMMERCIAL CONDITIONS**

**4.1 Price**

4.1.1 The Material prices shall be:

- Free Carrier (FCA) the Airbus Spares Support Centre for deliveries from the Airbus Spares Support Centre.
- Free Carrier (FCA) place specified by the Seller for deliveries from other Seller or Supplier facilities as the term Free Carrier (FCA) is defined by the publication N° 560 of the International Chamber of Commerce published in January 2000.

4.1.2 Prices shall be the Seller's sales prices in effect on the date of receipt of the order (subject to reasonable quantities and delivery time) and shall be expressed in US-Dollars.

4.1.3 Prices of Seller Parts shall be in accordance with the current Seller's Spare Parts Price Catalog. Prices shall be firm for each calendar year. The Seller, however, reserves the right to revise the prices of said parts during the course of the calendar year in the following cases:

- significant revision in manufacturing costs,
- significant revision in manufacturer's purchase price of parts or materials (including significant variation of exchange rates),
- significant error in estimation or expression of any price.

4.1.4 Prices of Material as defined in sub-Clauses 1.2 (ii) thru 1.2 (iv) shall be the valid list prices of the Supplier augmented by the Seller's handling charge. The percentage of the handling charge shall vary with the Material's value and shall be determined item by item.

**4.2 Payment Procedures and Conditions**

4.2.1 Payment shall be made in immediately available funds in the quoted currency. In case of payment in any other free convertible currency, the exchange rate valid on the day of actual money transfer shall be applied for conversion.

4.2.2 Payment shall be made by the Buyer to the Seller within [\*\*\*].

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Exhibit H - 11/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

4.2.3 The Buyer shall make all payments hereunder to the Seller's account with:

[\*\*\*]

or as otherwise directed by the Seller.

4.2.4 All payments due to the Seller hereunder shall be made in full without set-off, counterclaim, deduction or withholding of any kind. Consequently, the Buyer shall procure that the sums received by the Seller under this Exhibit "H" shall be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature except that if the Buyer is compelled by law to make any such deduction or withholding the Buyer shall pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding shall equal the amounts which would have been received in the absence of such deduction or withholding.

4.2.5 If any payment due to the Seller is not received in accordance with the timescale provided in Clause 4.2.2, without prejudice to the Seller's other rights under this Exhibit "H", the Seller shall be entitled to interest for late payment calculated on the amount due [\*\*\*].

**4.3 intentionally left blank**

**4.4 Title**

Title to any Material purchased under this Exhibit "H" remains with the Seller until full payment of the invoices and any interest thereon has been received by the Seller.

The Buyer shall undertake that Material, title to which has not passed to the Buyer, shall be kept free from any debenture or mortgage or any similar charge or claim in favour of any third party.

**4.5 Buy-Back**

**4.5.1 Buy-Back of Obsolete Material**

The Seller agrees to buy back unused Seller Parts which may become obsolete up to [\*\*\*] to the Buyer as a result of mandatory modifications required by the Buyer's or the Seller's Aviation Authorities, subject to the following:

4.5.1.1 The Seller Parts involved shall be those, which the Buyer is directed by the Seller to scrap or dispose of and which cannot be reworked or repaired to satisfy the revised standard.

4.5.1.2 The Seller shall credit to the Buyer the purchase price paid by the Buyer for any such obsolete parts, provided that the Seller's liability in this respect does not extend to quantities in excess of the Seller's Initial Provisioning recommendation.

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Exhibit H - 12/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT "H"

- 4.5.1.3 The Seller shall use its reasonable efforts to obtain for the Buyer the same protection from Suppliers.
- 4.5.2 **Buy-Back of Initial Provisioning Surplus Material**
  - 4.5.2.1 The Seller agrees that at any time after [\*\*\*]
  - 4.5.2.2 In the event of the Buyer electing to procure Material in excess of the Seller's recommendation, the Buyer shall notify the Seller thereof in writing, with due reference to the present Clause. The Seller's agreement in writing is necessary before any Material in excess of the Seller's recommendation shall be considered for buy-back.
  - 4.5.2.3 It is expressly understood and agreed that the rights granted to the Buyer under this Clause 4.5.2 shall not apply to Material which may become surplus to requirements due to obsolescence at any time or for any reason other than those set forth in Clause 4.5.1 above.
  - 4.5.2.4 Further, it is expressly understood and agreed that all credits described in this Clause 4.5.2 shall be provided by the Seller to the Buyer exclusively by means of credit notes to be entered into the Buyer's spares account with the Seller.
  - 4.5.3 All transportation costs for the return of obsolete or surplus Material under this Clause 4, including any insurance and customs duties applicable or other related expenditures, shall be borne by the Buyer.

**4.6 Inventory Usage Data**

The Buyer undertakes to provide periodically to the Seller a quantitative list of the parts used for maintenance and overhaul of the Aircraft. The range and contents of this list shall be established according to SPEC 2000, Chapter 5, or as mutually agreed between the Seller and the Buyer.

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Exhibit H - 13/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**5. WARRANTIES**

**5.1 Seller Parts**

Subject to the limitations and conditions as hereinafter provided, the Seller warrants to the Buyer that all Seller Parts in sub-Clause 1.2 (i) shall at delivery to the Buyer:

- (i) be free from defects in material,
- (ii) be free from defects in workmanship, including without limitation processes of manufacture,
- (iii) be free from defects arising from failure to conform to the applicable specification for such part.

**5.2 Warranty Period**

5.2.1 The [\*\*\*] warranty period for new Seller Parts is [\*\*\*].

5.2.2 The [\*\*\*] warranty period for (i) used Seller Parts delivered by and/or repaired, by the Seller is [\*\*\*], and (ii) for used Seller Parts delivered by and/or modified, overhauled or exchanged by the Seller [\*\*\*].

5.2.3 The Seller's equipment Supplier support conditions include the provision for [\*\*\*] standard warranty for used parts after delivery of such parts to the Buyer.

**5.3 Buyer's Remedy and Seller's Obligation**

The Buyer's remedy and Seller's obligation and liability under this Clause 5 are limited to the repair, replacement or correction, at the Seller's expense and option, of any Seller Part which is defective.

The Seller may equally at its option furnish a credit to the Buyer for the future purchase of Seller Parts equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Seller Parts.

The provisions of Clauses 12.1.5 thru 12.1.10 of the Agreement shall apply to this Clause 5 of this Exhibit "H".

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Exhibit H - 14/22

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT "H"

**5.4 Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 5 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, ITS SUPPLIERS AND/OR THEIR INSURERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY MATERIAL DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR MATERIAL DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY MATERIAL DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 5.4, "THE SELLER" SHALL INCLUDE THE SELLER, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

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Exhibit H - 15/22

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**6 SELLER PARTS LEASING**

**6.1 General**

The terms and conditions of this Clause 6 shall apply for the leasing of Seller Parts listed in Appendix A to this Clause 6, hereinafter "**Leased Parts**" or a "**Leased Part**", and shall form a part of each lease of Seller Parts by the Buyer from the Seller.

6.1.1 The terms and conditions of this Clause 6 shall prevail over all other terms and conditions appearing on any order form or other document pertaining to Leased Parts. The Seller's current proprietary parts Repair Guide shall be provided to the Buyer and shall be used, along with this Agreement, as the basis for Seller Parts lease transactions between the Buyer and the Seller. In case of discrepancy, this Agreement shall prevail.

6.1.2 For the purposes of this Clause 6, the term "**Lessor**" refers to the Seller and the term "**Lessee**" refers to the Buyer.

6.1.3 Parts not included in Appendix A to this Clause 6 shall be the subject of a separate lease agreement supplied by the Seller at the Buyer's request.

**6.2 Leasing Procedure**

Upon the Lessee's request by telephone (to be confirmed promptly in writing), facsimile, cable, SITA, letter or other written instrument, the Lessor shall lease such Leased Parts, which shall be made available in accordance with Clause 3.2.3 for the purpose of being substituted for a part removed from an Aircraft for repair or overhaul. The Leased Parts shall be delivered by the Seller FCA Seller's Facility and shall be accompanied by all the necessary airworthiness documentations. Each lease of Leased Parts shall be evidenced by a lease document (hereinafter "**Lease**") issued by the Lessor to the Lessee [\*\*\*] of the Leased Part.

**6.3 Lease Period**

6.3.1 The total term of the Lease (hereinafter "**Lease Period**") shall be counted from inclusively the day the Leased Part is delivered Free Carrier (FCA) up to inclusively the day of receipt of the Leased Part back at the Lessor or at any other address indicated by the Lessor.

6.3.2 If a Leased Part is not returned by the Lessee within [\*\*\*], the Lease shall be converted into a sale. Should the Lessee not return the Leased Part to the Lessor within [\*\*\*] and if the Lessor so elects, by giving prompt written notice to the Lessee, such non return shall be deemed to be an election by the Lessee to purchase the Leased Part and, upon the happening of such event, the Lessee shall pay the Lessor all amounts due under Clauses 6.4 and 6.8 for the Leased Part for the Lease Period of [\*\*\*] of the Leased Part at the moment of the conversion of the Lease.

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"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

- 6.3.3 Notwithstanding the foregoing, the Lease Period shall end in the event of, and upon the date that, the Lessee acquiring title to a Leased Part as a result of exercise of the Lessee's option to purchase the Leased Part, as provided for herein.
- 6.3.4 The chargeable period to lease a part is a minimum of [\*\*\*]. If the shipment of the Leased Part has been arranged and the Lessee cancels the lease order, the minimum chargeable period of [\*\*\*] shall apply.

**6.4 Lease Charges and Taxes**

The Lessee shall pay the Lessor:

[\*\*\*]

**6.5 Risk of Loss, Maintenance, Storing and Repair of the Leased Part**

- (i) The Lessee shall be liable for maintaining and storing the Leased Part in accordance with all applicable rules of the relevant aviation authorities and the technical documentation and other instructions issued by the Lessor.
- (ii) Except for normal wear and tear, each Leased Part shall be returned to the Lessor in the same condition as when delivered to the Lessee.
- (iii) The Leased Part shall be repaired solely at repair stations approved by the Lessor. If during the Lease Period any inspection, maintenance, rework and/or repair is carried out to maintain the Leased Part serviceable, in accordance with the standards of the Lessor, the Lessee shall provide details and documentation about the scope of the work performed, including respective inspection, work and test reports.
- (iv) All documentation shall include, but not be limited to, evidence of incidents such as hard landings, abnormalities of operation and corrective action taken by the Lessee as a result of such incidents.
- (v) The Leased Part must not be lent to a third party.
- (vi) Risk of loss or damage to each Leased Part shall remain with the Lessee until such Leased Part is redelivered to the Lessor at the return location specified in the applicable Lease. If a Leased Part is lost, damaged beyond economical repair or damaged unrepairable, the Lessee shall be deemed to have exercised its option to purchase said Leased Part in accordance with Clause 6.8 as of the date of such loss or damage.

**6.6 Title**

Title to each Leased Part shall remain with the Lessor at all times unless the Lessee exercises its option to purchase in accordance with Clause 6.8, in which case title shall pass to the Lessee upon receipt by the Lessor of the payment for the purchased Leased Part.

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Exhibit H - 17/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**6.7 Return of Leased Part**

6.7.1 The Lessee shall return the Leased Part at the end of the Lease Period to the address indicated on the individual lease document provided by the Lessor at the start of each Lease transaction.

6.7.2 The return shipping document shall indicate the reference of the Lease document and the removal data, such as:

- (i) aircraft manufacturer serial number
- (ii) removal date
- (iii) total flight hours and flight cycles for the period the Leased Part was installed on the aircraft
- (iv) documentation in accordance with Clause 6.5.

If the Lessee cannot provide the above mentioned data and documentation for the Leased Part to be returned from Lease, [\*\*\*]. According to the Lessor’s quality standards, parts are not serviceable without the maintenance history data outlined above and have to be scrapped on site.

6.7.3 The unserviceable or serviceable tag issued by the Lessee and the original Lessor certification documents must be attached to the Leased Part.

6.7.4 Except for normal wear and tear, each Leased Part shall be returned to the Lessor in the same condition as when delivered to the Lessee. The Leased Part shall be returned with the same painting as when delivered (Airbus grey or primary paint). If the Lessee is not in a position to return the Leased Part in the same serviceable condition, the Lessee has to contact the Lessor for instructions.

6.7.5 The Leased Part is to be returned in the same shipping container as that delivered by the Lessor. The container must be in a serviceable condition, normal wear and tear excepted.

6.7.6 The return of an equivalent part different from the Leased Part delivered by the Lessor is not allowed without previous written agreement of the Lessor.

**6.8** [\*\*\*]

**6.9 Warranties**

6.9.1 The Lessor warrants that each Leased Part shall at the time of delivery be free from defects in material and workmanship which could materially impair the utility of the Leased Part.

**6.9.2 Warranty and Notice Periods**

The Lessee’s remedy and the Lessor’s obligation and liability under this Clause 6.9, with respect to each defect, are conditioned upon:

- (i) the defect having become apparent to the Lessee within the Lease Period and

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- (ii) the return by the Lessee as soon as practicable to the return location specified in the applicable Lease, or such other place as may be mutually agreed upon, of the Leased Part claimed to be defective and
- (iii) the Lessor's warranty administrator having received written notice of the defect from the Lessee within [\*\*\*] after the defect becomes apparent to the Lessee, with reasonable proof that the claimed defect is due to a matter embraced within the Lessor's warranty under this Clause 6.9 and that such defect did not result from any act or omission of the Lessee, including but not limited to any failure to operate or maintain the Leased Part claimed to be defective or the Aircraft in which it was installed in accordance with applicable governmental regulations and the Lessor's applicable written instructions.

6.9.3 **Remedies**

The Lessee's remedy and the Lessor's obligation and liability under this Clause 6.9 with respect to each defect are limited to the repair of such defect in the Leased Part in which the defect appears, or, as mutually agreed, to the replacement of such Leased Part with a similar part free from defect.

Any replacement part furnished under this Clause 6.9.3 shall be deemed to be the Leased Part so replaced.

6.9.4 **Suspension and Transportation Costs**

6.9.4.1 If a Leased Part is found to be defective and covered by this warranty, the Lease Period and the Lessee's obligation to pay rental charges as provided for in sub-Clause 6.4 (i) shall be suspended from the date on which the Lessee notifies the Lessor of such defect until the date upon which the Lessor has repaired, corrected or replaced the defective Leased Part, provided, however, that the Lessee has, promptly after giving such notice to the Lessor, withdrawn such defective Leased Part from use. If the defective Leased Part is replaced, such replaced part shall be deemed to no longer be a Leased Part under the Lease as of the date upon which such part was received by the Lessor at the return location specified in the applicable Lease.

[\*\*\*].

6.9.4.2 All transportation and insurance costs of returning the defective Leased Part and returning the repaired, corrected or replacement part to the Lessee shall be borne by the Lessor.

6.9.5 **Wear and Tear**

Normal wear and tear and the need for regular maintenance and overhaul shall not constitute a defect or non-conformance under this Clause 6.9.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

6.9.6 **Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LESSOR AND/OR ITS SUPPLIERS AND REMEDIES OF THE LESSEE SET FORTH IN THIS CLAUSE 6 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LESSOR AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE LESSEE AGAINST THE LESSOR, ITS SUPPLIERS AND/OR THEIR INSURERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY LEASED PART DELIVERED UNDER THESE LEASING CONDITIONS INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS (*GARANTIE DES VICES CACHES*);
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE LESSOR'S OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR ANY LEASED PART DELIVERED HEREUNDER.

THE LESSOR AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN ANY LEASED PART DELIVERED UNDER THESE LEASING CONDITIONS.

FOR THE PURPOSES OF THIS CLAUSE 6.9.6, "THE LESSOR" SHALL INCLUDE THE LESSOR, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

[\*\*\*] REDACTED LANGUAGE FOR CONFIDENTIAL TREATMENT PER CLAUSE 22.10.

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“[\*\*\*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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EXHIBIT "H"

**APPENDIX "A" TO CLAUSE 6 OF EXHIBIT "H"**

**SELLER PARTS AVAILABLE FOR LEASING**

[\*\*\*]

[\*\*\*] REDACTED LANGUAGE FOR CONFIDENTIAL TREATMENT PER CLAUSE 22.10.

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Exhibit H - 21/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT "H"

**7 TERMINATION OF SPARES PROCUREMENT COMMITMENTS**

**7.1** In the event of the Agreement being terminated with respect to any Aircraft due to causes provided for in Clauses 10, 11 or 20 of the Agreement, such termination may also affect the terms of this Exhibit "H" to the extent set forth in Clause 7.2 below.

**7.2** Any termination under Clauses 10, 11 or 20 of the Agreement shall discharge all obligations and liabilities of the parties hereunder with respect to such undelivered spare parts, services, data or other items to be purchased hereunder which are applicable to those Aircraft for which the Agreement has been terminated. Unused spare parts in excess of the Buyer's requirements due to such Aircraft cancellation shall be [\*\*\*].

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Exhibit H - 22/22

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT I

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[\*\*\*]

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Exhibit I - 1/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT I

Preamble

For the purposes of the General Terms and Conditions of Access to and Use of the Secure Area of Airbus|World only, the Buyer and the Seller hereby agree that in such GTC:

“The Seller” shall be referred to as AIRBUS S.A.S.,

“The Buyer” shall be referred to as “the Company”,

“The Agreement” shall have the meaning assigned thereto in the GTC.

“The Agreement” as defined in the Clause 0 shall be referred to in the GTC with the meaning assigned thereto under the definition of “Contracts”

**GENERAL TERMS AND CONDITIONS OF ACCESS TO AND USE OF  
THE SECURE AREA of AIRBUS|WORLD**

**ARTICLE 1: DEFINITIONS**

- Administrator(s)** Company’s employee(s) appointed by the Company, entitled to represent the Company for and in the management of the Agreement and responsible for the compliance by the Designated Users and the Company’s employees with the Agreement.
- Agreement** The agreement between the Parties shall be understood as including, in the following order of precedence, (i) Specific Terms and Conditions applicable to specific Services if any and to that extent only, (ii) these General Terms and Conditions, and any other relating functional or technical document agreed between the Parties, it being understood that, in the event of any inconsistency the former ranking document shall prevail over the following one(s) to the extent of such inconsistency.
- AIRBUS S.A.S.** AIRBUS S.A.S, a French Société par Actions Simplifiée, with a share capital of Euros 2 704 375, registered with the Trade and Companies Registry of Toulouse (France) under n° 383 474 814 and whose registered office is located 1 Rond Point Maurice Bellonte, 31700 Blagnac, France
- AIRBUS** Collectively AIRBUS S.A.S and the legal entities controlled by AIRBUS S.A.S, the term “control” meaning the direct or indirect ownership of at least fifty percent (50%) of the voting stocks in such legal entities.
- AIRBUS Data** Any and all data, information and material made accessible and available by AIRBUS to the Company through the Secure AIW.
- Company** The company entering into these General Terms and Conditions as identified on the execution page of this document.
- Company Data** Any and all data, information and other material made accessible and available by the Company to AIRBUS through the Secure AIW.

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Exhibit I - 2/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT I

|  |  |
|--|--|
| <b>Contracts</b>                         | Any and all present and future contracts, agreements or letters, the terms of which imply a commitment of the Company and/or AIRBUS other than related to the present Agreement, namely but without limitation: confidentiality agreements, exchanges in the course of a call for tender, contracts for the supply of services, procurement/sale agreements, aircraft purchase agreements, co-operation agreements, research contracts, maintenance contracts. |
| <b>Data</b>                              | Collectively the AIRBUS Data and the Company Data.   |
| <b>Databases</b>                         | Any and all collections of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means by the Company through the Secure AIW.   |
| <b>Designated Users</b>                  | Employees of the Company authorized by a Company Administrator to access and use the Secure AIW.   |
| <b>Identification Codes</b>              | Confidential and personal identification codes attached to each Designated User and which formally identify each Designated User accessing and using the Secure AIW.   |
| <b>Party or Parties</b>                  | Individually or collectively AIRBUS S.A.S. and/or the Company.   |
| <b>Secure Airbus/World or Secure AIW</b> | Secure area of Airbus/World, access to part of which may be given by AIRBUS S.A.S. to Designated Users of the Company.   |
| <b>Services</b>                          | Any and all on line services made available to the Company through the Secure AIW under the terms and conditions of the Agreement.   |
| <b>Specific Terms and Conditions</b>     | Terms and conditions under which AIRBUS S.A.S. grants access to specific Services to the Company.  |
| <b>System</b>                            | Equipment (hardware, software, connections, ...) set up by AIRBUS S.A.S. and enabling AIRBUS S.A.S. to provide the Services on the Secure AIW through the internet.  |
| <b>User Documentation</b>                | Documentation intended for the Administrators and Designated Users of the Secure AIW describing the technical means enabling connection to the System and access to the Secure AIW and providing information related to the use of the Secure AIW and/or the Services. User Documentation may be modified from time to time by AIRBUS S.A.S and is available on the secure area of Airbus/World.   |

**ARTICLE 2: PURPOSE / CONTRACTUAL DOCUMENTS**

- 2.1 The purpose of these General Terms and Conditions is to define the terms and conditions under which AIRBUS S.A.S. authorizes the Company to access and use the Secure AIW and to benefit from some of the Services offered through the latter.
- 2.2 Access to and use of certain Services may be subject to acceptance by the Company of Specific Terms and Conditions.

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Exhibit I - 3/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT I

- 2.3 The Secure AIW may be used by the Company for the purpose of exchanging information with AIRBUS and specifically for the performance of the Contracts. The Agreement shall not be construed as interfering with the terms and conditions of any such Contracts. The terms and conditions of the Contracts shall in any case prevail over the terms of the Agreement.
- 2.4 The Company and AIRBUS shall not exchange Data through the Secure AIW that are not necessary for professional or business purposes as mentioned in Article 2.3. Activities directly or indirectly related to spamming are prohibited on the Secure AIW.
- 2.5 Should there be a need for the Company to use the Secure AIW in its quality of subcontractor of a supplier, a customer, or a co-contractor of AIRBUS (hereafter individually and collectively an "AIRBUS Co-contractor"), then the Company hereby guarantees that it is duly authorised by such AIRBUS Co-contractor to request from AIRBUS S.A.S. an access to the Secure AIW and the use of the Services. The Agreement between AIRBUS S.A.S. and the Company is entered into for the sole purpose of the use of Secure AIW and shall in no event be construed as a change to the contracts entered into by AIRBUS and the AIRBUS Co-contractor and/or establish a direct contractual relationship between AIRBUS and the Company other than the Agreement.

**ARTICLE 3: EXTENT OF ACCESS TO AND USE OF THE SECURE AIW**

- 3.1 AIRBUS S.A.S. grants to the Company, a worldwide, personal, non-exclusive and non-transferable right to access and use the Secure AIW and the Services, pursuant to the terms and conditions of and for the duration of the Agreement. The Company shall not fully or partially assign, sublicense nor subcontract any of its rights and/or obligations under the Agreement, without the express prior written authorization of AIRBUS S.A.S.
- 3.2 No right other than that provided in Article 3.1 above is granted by AIRBUS S.A.S. to the Company under these General Terms and Conditions, and the Company shall not, directly or indirectly, without limitation, extract, reproduce, represent, adapt, modify and/or translate, all or part of the Secure AIW, the System and/or the Databases, nor create any derivative work therefrom, nor use any and/or all of the aforesaid elements for any purposes other than those agreed upon between the Parties.
- 3.3 The Secure AIW, the System, the Databases and the AIRBUS Data shall remain the sole ownership of AIRBUS and/or its licensors.

**ARTICLE 4: ADMINISTRATORS AND DESIGNATED USERS**

- 4.1 AIRBUS S.A.S. shall propose on-line standard training for the Administrator on the Secure AIW at AIRBUS S.A.S' expense and AIRBUS S.A.S. shall make available appropriate documentation to the Designated Users.
- 4.2 The Company shall be solely responsible for the enforcement of the Agreement by its employees, including the Administrator (s) and the Designated Users. The Company shall ensure, at its own expense, that the Administrator(s) and the Designated Users are qualified and properly trained for the purpose of the performance of the Agreement.
- 4.3 The Company shall designate one Administrator. AIRBUS S.A.S. may, at its sole discretion and upon the Company's request, authorise in writing the Company to designate additional Administrator(s), provided the Company defines non-overlapping areas and/or timeframes for each of the Administrators, e.g. for different branches or sites of the Company. It is understood that the Company shall be solely responsible in the event of inconsistent instructions received from the Administrators.

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Exhibit I - 4/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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- 4.4 The Administrator(s) shall have the capacity to represent the Company with respect to the execution and performance of any contractual document related to the access, use and operation of the Secure AIW.
- 4.5 The Administrator(s) shall appoint Designated Users among the employees of the Company. Each Designated User shall be provided with a personal and confidential Identification Code, at AIRBUS S.A.S.' discretion, either by the Administrator, by AIRBUS S.A.S. or by an independent, reputable and reliable organisation.
- 4.6 Each and every access, use and operation of the Secure AIW with an Identification Code shall be deemed to have been made by the corresponding Designated User.
- 4.7 The Company shall ensure that:
  - (I) each Identification Code is used by the corresponding Designated User only and is personal to such Designated User;
  - (II) each personal Identification Code shall not be communicated to any person other than the corresponding Designated User;
  - (III) each Designated User accesses and uses the Secure AIW in accordance with the specific rights he/she has been granted under the Agreement;
  - (IV) no third party can access the Identification Codes or the Secure AIW.
- 4.8 Should the Company become aware of any potential risk that Identification Code(s) could be or could have been disclosed to anyone other than the corresponding Designated User, then the Administrator(s) shall, without any delay, cancel the access to the Secure AIW in respect of such Identification Code(s) and notify AIRBUS S.A.S. of such potential risk and of such cancellation of the Identification Code(s), notwithstanding AIRBUS S.A.S.' rights to cancel such access.
- 4.9 The Company shall inform AIRBUS S.A.S., without any delay, of (i) any modification in the professional situation of the Administrator(s) and/or Designated Users, including without limitation resignation from the Company, (ii) the termination/expiration of any or all of the Contracts (iii) the termination/expiration of any contract of the Company with an AIRBUS Co-contractor as referred to in Article 2.5 above. In any of such cases, the Company shall without delay cancel the access to the Secure AIW for the corresponding Designated Users, notwithstanding AIRBUS S.A.S.' rights to cancel such access.
- 4.10 Should any one of Designated Users and/or Administrators not comply with any provision of the Agreement and/or any applicable laws and regulations, or should AIRBUS S.A.S. have reasonable grounds to believe that his/her access may possibly result in a breach of the Agreement, including but not limited to confidentiality and/or security provisions and/or result in an illegal situation, AIRBUS S.A.S. shall be entitled, at any time, without prejudice to its other rights and without prior notice, to restrict or suspend access to all or part of the Secure AIW by any or all such Designated User(s) and/or Administrator(s).

**ARTICLE 5: ACCESS REQUIREMENTS**

- 5.1 The Company shall, at its own costs and under its sole responsibility and liability, procure, install and maintain the information technology equipment necessary to access the System and the Secure AIW. The Company shall use all care and means available in the state of the art necessary to prevent intrusion of any third party and/or malicious codes into the System and/or the Secure AIW.
- 5.2 The Company shall be responsible for obtaining and maintaining any relevant authorisations and/or accomplishing any and all relevant formalities necessary to have access to and benefit from the Secure AIW as well as for performing its own obligations under the Agreement and/or any applicable laws and regulations.

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Exhibit I - 5/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT I

5.3 AIRBUS S.A.S. shall be entitled, without limitation for security purposes, to at any time modify or have the Company modify, the Identification Codes. Any modification of such Identification Codes shall be notified by the modifying Party to the other Party.

**ARTICLE 6: CHARACTERISTICS AND AVAILABILITY OF THE SECURE AIW**

- 6.1 AIRBUS S.A.S. shall make its reasonable efforts to provide the necessary means in order to make the Secure AIW accessible seven (7) days a week and twenty-four (24) hours a day. Should the access to or use of the Secure AIW be disturbed, AIRBUS S.A.S. shall take all reasonable and proper steps to restore the access to or use of the Secure AIW.
- 6.2 In this respect and without limitation, AIRBUS S.A.S. shall be entitled, at any time and without notification, to suspend, temporarily or permanently, access to all or part of the Secure AIW:
  - (i) in order to proceed with any maintenance of the System and/or updating of the Secure AIW, the Databases and/or the Data;
  - (ii) for security reasons;
  - (iii) in order to comply with any regulatory constraints and/or court injunction or decision.
- 6.3 Should AIRBUS S.A.S. foresee that the unavailability of the Secure AIW, in whole or in part, will exceed twenty-four (24) consecutive hours, AIRBUS S.A.S. shall make reasonable efforts to inform as promptly as possible the Company, by whatever means, of such unavailability.
- 6.4 Without prejudice to any other provision of the Agreement, should the Company be unable for any reason to access the Secure AIW for more than twenty four (24) consecutive hours and/or for a period incompatible with the performance schedule of a Contract requiring the use of the Secure AIW, the Company shall inform AIRBUS S.A.S. and the Parties shall determine together alternative solutions, related but not limited to, the exchange of data.

**ARTICLE 7: CONFIDENTIALITY**

- 7.1 Unless otherwise agreed upon in the Agreement and/or the Contracts, and unless the same information may be accessed in the freely accessible public area of AirbusWorld, all information made available by the Company and AIRBUS to each other through the Secure AIW shall be deemed confidential information and shall not be disclosed by the receiving party to any third party and shall not be used for any purpose other than those agreed upon by the Company and AIRBUS.
- 7.2 The Company hereby authorises AIRBUS to disclose such information within AIRBUS, provided the AIRBUS legal entities exchanging such information have entered with each other into a confidentiality agreement. The Company may only disclose such information to its affiliates if such affiliates have entered into a separate confidentiality agreement with AIRBUS.

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Exhibit I - 6/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





EXHIBIT I

**ARTICLE 8: EXCHANGE OF DATA**

- 8.1 As part of the Services, the Secure AIW enables the Company and AIRBUS to exchange or have access to the Data, for the purpose of collaboration between the Company and AIRBUS and/or performance of the Contracts.
- 8.2 The Company shall have the right to access to and use the AIRBUS Data, and AIRBUS shall have the right to access to and use the Company Data, solely to the extent defined in the Agreement and/or the Contracts.

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Exhibit I - 7/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT I

- 8.3 Except as otherwise agreed in the Agreement and/or the Contracts, the Company and AIRBUS may, during the term of the Agreement, for internal use only, adapt, translate, make hard copies and/or numeric reproductions of the Data received from the disclosing party, for the sole purpose of the Agreement and of, as the case may be, the performance of the Contract(s) or the collaboration of the Company and AIRBUS. The Data received from the disclosing party, their hard copies and numeric reproductions, may be processed by and circulated worldwide only to the employees of the receiving party having a need to know the same for the purpose of the Agreement and of, as the case may be, the performance of the Contract(s) or the collaboration of the Company and AIRBUS.
- 8.4 The Company and AIRBUS shall ensure that all proprietary rights and confidentiality mentions stated on any original document are replicated on any reproduction made thereof. Any translation and/or adaptation shall expressly state that it is a derivative from the original document. The Company and AIRBUS shall refrain from removing and/or altering any of these mentions.
- 8.5 The Company shall take care and use all means available in the state of the art at any time of the Agreement in order to prevent the Company Data from creating permanent or temporary disturbance of the operation and/or the use of the System, the Secure AIW and/or the Database.
- 8.6 The Company shall immediately notify AIRBUS S.A.S. of the occurrence or possible occurrence of any of the events referred to in Article 8.5 above. Should AIRBUS S.A.S. be aware of any of such aforesaid events, it shall be entitled, without notice and without prejudice to its other rights, to delete the implicated Company Data from the System.
- 8.7 Taking into account the electronic nature of the Data exchanged through the Secure AIW, the Company and AIRBUS agree to give to such electronic exchanges the same probatory value as exchanges made by registered mail.
- 8.8 Should any creation or development be made by the Company when accessing and using the Secure AIW and/or exchanging Data with AIRBUS, then the rights of each party on such creation or development shall be determined pursuant to the corresponding Contract or Specific Terms and Conditions, if any.

**ARTICLE 9: PRIVACY**

- 9.1 AIRBUS S.A.S. and, when applicable, the Company shall comply at all times with their obligations under any local law towards the relevant authority(ies) with regard to data protection principles, including any personal data files or personal data automated processing systems and shall inform each other of any information system evolution which could affect such obligations.
- 9.2 The Company is hereby notified that AIRBUS may request personal data directly from the Administrator(s) and the Designated Users for accessing and using the Secure AIW. The Company shall inform the Administrator(s) and the Designated Users (i) in accordance with applicable laws, and specifically with article 27 of the French law n°78-17 of January 6, 1978 when data are collected and/or processed in France, (ii) of the provisions of this Article 9 and their related rights.
- 9.3 The Company undertakes, according to article 27 of the French law n°78-17 of January 6, 1978, to inform the Administrator(s) and the Designated Users that:
- (i) failure to provide such data may prevent access to the Secure AIW;
  - (ii) such personal data shall be used by AIRBUS for the sole purpose of (a) security, operation and maintenance of the Secure AIW and (b) the Services and/or communication to and information of the Administrator(s) and the Designated Users in respect of the Secure AIW and the Services;

A320 / A330 PA – TAM – 11/2006

Exhibit I - 8/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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EXHIBIT I

- (iii) such personal data may be transferred to AIRBUS service providers or other AIRBUS entities throughout the world; and
  - (iv) they benefit from a right of access to and rectification of, their personal data archived by AIRBUS.
- 9.4 The Secure AIW uses “cookies” (small data files transferred to computer hard drives for the sole purpose of recording computer connections to the Secure AIW such as date, time, consulted pages, etc.). AIRBUS S.A.S. may access and record this information during Designated Users’ visits. The use of cookies is a prerequisite to the operation of the Secure AIW and the Company recognizes that any Designated User exercising his/her right to disable cookies shall not have access to the Secure AIW.
- 9.5 Personal data may be accessed by the Company, Administrators and/or Designated Users and, as the case may be, rectified upon written request to AIRBUS S.A.S, 1 Rond-Point Maurice Bellonte, 31707 Blagnac Cedex, France.
- 9.6 As the performance of the Agreement may imply cross-border transfer of personal data protected under French law, the Company hereby declares that it is aware of (i) the Council of Europe Convention for the Protection of Individuals with regards to Automatic Processing of Personal Data, (ii) the European Directive n° 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data and (iii) French law n°78-17 of 6<sup>th</sup> January 1978 concerning data processing and liberties, and the Company shall ensure that it remains aware of any further modification of the applicable laws in force and undertakes to respect the same.

**ARTICLE 10: WARRANTY / LIABILITY**

- 10.1 To the extent permitted by French law, the Company acknowledges that the Secure AIW, including any and all of its supporting elements and contents, i.e. without limitation the System, the Databases and, unless otherwise stated in the Contracts, AIRBUS Data, are provided “as is” and “as available”.
- 10.2 To the extent permitted by French law, AIRBUS S.A.S. neither warrants nor represents, without limitation, that (i) the Secure AIW, the System, the Services and/or the User Documentation will meet the Company’s requirements and expectations, nor will be uninterrupted, timely, secure or error-free, (ii) the results that may be displayed through the Secure AIW, the Data, Databases and/or any material obtained through the Secure AIW will be accurate, reliable or error free.
- 10.3 Access to and use of the Secure AIW are therefore performed at the Company’s sole risk and the Company shall be solely responsible and AIRBUS S.A.S. shall not be liable for damages, on whatever grounds, including third parties’ rights’ infringement, arising out or in connection with access, use, computer intrusion, security failure, or unavailability of the Services, the Secure AIW and/or the materials contained therein or accessed there through. In no event, shall AIRBUS, their successive successors and assignees be liable for any damage, whether direct or indirect, such as but without limitation loss of data or of programs, loss of use, financial loss, any deterioration or infection by malicious codes of the Company’s information technology equipment (including but not limited to software, hardware, connections and/or any system or network).
- 10.4 Notwithstanding the preceding provisions, AIRBUS S.A.S. agrees to support the defence of the Company against any claim alleging that the normal use by the Company of the System infringes the intellectual property rights of any third party by answering the Company’s reasonable related information requests, provided the Company notifies AIRBUS S.A.S. in writing of any such claim within fifteen (15) days from the date it has knowledge of the latter.

A320 / A330 PA – TAM – 11/2006

Exhibit I - 9/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



EXHIBIT I

10.5 Should any provision of the Agreement become prohibited or unlawful or unenforceable under any applicable law actually applied by any court of competent jurisdiction, such provision shall, to the extent required by such law, be severed from the Agreement and rendered ineffective insofar as possible without modifying the remaining provisions. Where, however, the provisions of any such applicable law may be waived, the Parties hereby agree that they shall waive such provisions to the fullest extent permitted by such law, with the result that the provisions of the Agreement shall be valid, binding and enforceable. The Parties agree to replace, as far as practicable, any provision which is prohibited, unlawful or unenforceable with another provision having substantially the same effect (in its legal and commercial content) as the replaced provision, but which is not prohibited, unlawful or unenforceable. The invalidity in whole or in part of any provision(s) of the Agreement shall not void or affect the validity of any other provision.

**ARTICLE 11: DURATION / TERMINATION**

- 11.1 These General Terms and Conditions shall enter into force on the date of their execution by both Parties. The entry into force or termination of these General Terms and Conditions shall not interfere in any way with the term of any Contracts in force.
- 11.2 The duration of any other contractual document entered into by the Parties as part of the Agreement shall be provided in the corresponding document. Should these General Terms and Conditions be terminated, all such documents shall, automatically and notwithstanding any other provision in the Agreement, be terminated concurrently therewith.
- 11.3 In the event of the Company being in breach any of its obligations under the Agreement, Airbus S.A.S. shall be entitled, without prejudice to any of its other rights and without prior notice, to immediately and automatically suspend access to Secure AIW or terminate all or part of the Agreement.
- 11.4 Upon termination, for whatever reason, of all or part of the Agreement, the Company shall immediately, at AIRBUS S.A.S.' discretion, (i) cease to access to the Secure AIW and/or the corresponding Service(s) and (ii) return or destroy, except in the event that a dispute arises or is raised between the Company and AIRBUS under the Agreement or the Contracts, the Identification Codes as well as all AIRBUS Data the Company may have held in the frame of the terminated part of the Agreement.
- 11.5 Should a force majeure event occur and continue for a period of more than one (1) month, then either Party may terminate the Agreement upon written notice to the other Party.

**ARTICLE 12: MISCELLANEOUS**

Airbus S.A.S. is entitled to assign all or part of its rights and/or obligations under the Agreement to any legal entity controlled by AIRBUS S.A.S.

Airbus S.A.S. is entitled to subcontract any of its obligations under the Agreement.

The Agreement shall not be modified except through a written amendment signed by the duly authorized representatives of both Parties.

**ARTICLE 13: LAW - JURISDICTION**

THE AGREEMENT IS GOVERNED BY FRENCH LAWS AND THE EXCLUSIVE JURISDICTION FOR ANY DISPUTE ARISING OUT OR IN CONNECTION WITH ITS EXISTENCE, VALIDITY, INTERPRETATION OR EXECUTION SHALL BE GIVEN TO THE COMMERCIAL COURTS AND TRIBUNALS OF TOULOUSE (FRANCE), WITH AIRBUS RESERVING THE RIGHT TO PETITION ANY OTHER COMPETENT COURT.

A320 / A330 PA – TAM – 11/2006

Exhibit I - 10/10

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**Exhibit 4.38.1**

**AMENDMENT N° 15  
TO THE A320/A330  
PURCHASE AGREEMENT  
BETWEEN  
AIRBUS S.A.S.  
AND  
TAM – LINHAS AEREAS S.A.**

REF: CT1242567

A320/A330 PA – TAM – Amdt. 15 – CT1242567- 2/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AMENDMENT N° 15

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No. 15 is made as of the 18<sup>th</sup> day of February 2013 to the A320/A330 Purchase Agreement signed on November 14, 2006,

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX  
FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

TAM – LINHAS AEREAS S.A., having its principal office at:

Avenida Jurandir, 856, 4<sup>o</sup> andar, Lote 4,  
CEP 04072 - 000, Jardim CECI  
SAO PAULO - SP  
BRAZIL

(herein after referred to as “**the Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

A320/A330 PA – TAM – Amdt. 15 – CT1242567- 2/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



WHEREAS

A- The Seller and the Buyer have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 12, 2009, Amendment No.4, dated as of July 1, 2009, Amendment No.5, dated as of December 24, 2009, Amendment No.6, dated as of March 4, 2010, Amendment No.7, dated as of July 28, 2010, Amendment No.8, dated as of April 29, 2011, Amendment No.9, dated as of June 13, 2011, Amendment No.10, dated as of October 11, 2011, Amendment No.11, dated as of October 11, 2011, Amendment No.12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012 and Amendment No. 14, dated as of December 14, 2012 incorporated therein is hereinafter referred to as the “**Agreement**”.

B- The Buyer and the Seller have agreed to make some changes to the Scheduled Delivery Month of certain A320 Family Aircraft.

A320/A330 PA – TAM – Amdt. 15 – CT1242567- 2/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**NOW THEREFORE IT IS AGREED AS FOLLOWS:****1. A320 FAMILY RESCHEDULING**

1.1 The Buyer has requested to the Seller, and the Seller has agreed to reschedule the delivery of Aircraft identified by rank numbers 98, 107 and 109 as follows:

| <u>Aircraft Rank</u> | <u>CAC_Id</u> | <u>Original Scheduled Delivery Month / Quarter</u> | <u>Revised Scheduled Delivery Quarter</u> | <u>Aircraft Type</u> | <u>Aircraft Batch</u> |
|----------------------|---------------|--|---|----------------------|-----------------------|
| 98                   | 242684        | December 2013                                      | March 2014                                | A320                 | Aircraft Nos 95-114   |
| 107                  | 284656        | December 2013                                      | May 2014                                  | A320                 | Aircraft Nos 95-114   |
| 109                  | 284658        | December 2013                                      | June 2014                                 | A320                 | Aircraft Nos 95-114   |

1.2 *New Delivery Schedule:* As a result of the rescheduling set forth in Clause 1.1 above, Clause 9.1.1.1 of the Agreement is hereby amended and restated as follows:

QUOTE

**9.1.1.1 A319 / A320 / A321 Aircraft**

| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u> |
|----------------------|----------------------|-------------------------------|----------------------------|
| - Aircraft N° 64     | A321                 | Aug-07                        |                            |
| - Aircraft N° 65     | A321                 | Aug-07                        |                            |
| - Aircraft N° 66     | A320                 | Oct-07                        |                            |
| - Aircraft N° 67     | A320                 | Oct-07                        |                            |
| - Aircraft N° 68     | A321                 | Nov-07                        |                            |
| - Aircraft N° 69     | A319                 | Nov-08                        |                            |
| - Aircraft N° 70     | A319                 | Jul-08                        |                            |
| - Aircraft N° 71     | A319                 | Aug-08                        |                            |
| - Aircraft N° 72     | A321                 | Feb-09                        |                            |
| - Aircraft N° 73     | A321                 | Jan-09                        |                            |
| - Aircraft N° 74     | A321                 | Mar-13                        |                            |
| - Aircraft N° 75     | A320                 | May-09                        |                            |
| - Aircraft N° 76     | A320                 | Dec-11                        |                            |
| - Aircraft N° 77     | A321                 | Jan-11                        |                            |
| - Aircraft N° 78     | A320                 | Dec-11                        |                            |
| - Aircraft N° 79     | A321                 | Apr-11                        |                            |
| - Aircraft N° 80     | A321                 | Jun-10                        |                            |
| - Aircraft N° 81     | A319                 | Jan-10                        |                            |
| - Aircraft N° 82     | A319                 | Jul-11                        |                            |
| - Aircraft N° 83     | A319                 | Jun-11                        |                            |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>            |
|----------------------|----------------------|-------------------------------|---------------------------------------|
| - Aircraft N° 84     | A321                 | Jun-10                        |                                       |
| - Aircraft N° 85     | A320                 | Mar-12                        |                                       |
| - Aircraft N° 86     | A320                 | Feb-12                        |                                       |
| - Aircraft N° 87     | A320                 | Jun-13                        |                                       |
| - Aircraft N° 88     | A320                 | Nov-13                        |                                       |
| - Aircraft N° 89     | A319                 | Jun-11                        |                                       |
| - Aircraft N° 90     | A320                 | Jul-12                        |                                       |
| - Aircraft N° 91     | A320                 | Mar-12                        |                                       |
| - Aircraft N° 92     | A320                 | Oct-10                        |                                       |
| - Aircraft N° 93     | A320                 | Jun-12                        |                                       |
| - Aircraft N° 94     | A320                 | Nov-13                        |                                       |
| - Aircraft N° 95     | A320                 | Aug-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 96     | A320                 | [***] 2015                    | Aircraft Nos 95-114                   |
| - Aircraft N° 97     | A320                 | Oct-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 98     | A320                 | Mar-14                        | Aircraft Nos 95-114                   |
| - Aircraft N° 99     | A320                 | Nov-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 100    | A320                 | Aug-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 101    | A320                 | May-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 102    | A320                 | Jun-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 103    | A320                 | Apr-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 104    | A320                 | Jul-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 105    | A320                 | Sep-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 106    | A320                 | Sep-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 107    | A320                 | May-14                        | Aircraft Nos 95-114                   |
| - Aircraft N° 108    | A320                 | Oct-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 109    | A320                 | Jun-14                        | Aircraft Nos 95-114                   |
| - Aircraft N° 110    | A319                 | Oct-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 111    | A320                 | May-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 112    | A319                 | [***] 2015                    | Aircraft Nos 95-114                   |
| - Aircraft N° 113    | A320                 | Mar-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 114    | A320                 | [***] 2015                    | Aircraft Nos 95-114                   |
| - Aircraft N° 115    | A321                 | Jan-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 116    | A320                 | Feb-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 117    | A320                 | Mar-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 118    | A321                 | Apr-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 119    | A321                 | [***] 2015                    | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 120    | A319                 | Jun-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 121    | A321                 | Sep-14                        | 2010 A320 Family Incremental Aircraft |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>   | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>            |
|------------------------|----------------------|-------------------------------|---------------------------------------|
| - Aircraft N° 122      | A320                 | Aug-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 123      | A319                 | Jul-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 124      | A321                 | Dec-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 125      | A320                 | Nov-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 126      | A319                 | Dec-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 127      | A321                 | ***] 15                       | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 128      | A320                 | ***] 15                       | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 129      | A319                 | ***] 15                       | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 130      | A319                 | ***] 15                       | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 131      | A321                 | ***] 2015                     | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 132      | A320                 | ***] 2015                     | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 133      | A321                 | ***] 2015                     | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 134      | A320                 | ***] 2015                     | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 135      | A320                 | ***] 2016                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 136      | A320                 | ***] 2016                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 137      | A320                 | ***] 2016                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 138      | A320                 | ***] 2016                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 139      | A320                 | ***] 2016                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 140      | A320                 | ***] 2016                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 141      | A320                 | ***] 2017                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 142      | A320                 | ***] 2017                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 143      | A320                 | ***] 2017                     | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 144      | A320                 | ***] 2017                     | 2011 A320 Family Incremental Aircraft |
| - [***]Aircraft N° 145 | A320                 | ***] 2016                     | 2011 A320 [***] Family Aircraft       |

“[ \* \* \* ]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>   | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>      |
|------------------------|----------------------|-------------------------------|---------------------------------|
| -[***] Aircraft N° 146 | A320                 | [***] 2016                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 147 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 148 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 149 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 150 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 151 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 152 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 153 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 154 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 155 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 156 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 157 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 158 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 159 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 160 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 161 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 162 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 163 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 164 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 165 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 166 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |

1.3 Pre-delivery payment:

As a result of the Aircraft rescheduling set forth in Clause 1.1 above, the Parties hereby agree the Buyer shall [\*\*\*], being the amount previously paid by the

A320/A330 PA – TAM – Amdt. 15 – CT1242567- 2/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Buyer in respect of Aircraft ranks 98, 107 and 109 and no longer due in accordance with the Predelivery Payment schedule, and this amount [\*\*\*] under the Agreement.

1.4 Propulsion System and BFE:

The Buyer is responsible for communicating the above changes to the relevant Propulsion Systems and BFE suppliers and ensuring the availability of the relevant Propulsion Systems and BFE in accordance with the change contemplated in this Amendment No. 15.

The parties are currently in discussions regarding the Buyer’s selection of Propulsion Systems for Aircraft rank 115 through, and including, Aircraft rank 134.

**2. CONFIDENTIALITY**

This Amendment No. 15 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

**3. LAW AND JURISDICTION**

This Amendment No. 15 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this No. 15 shall be within the exclusive jurisdiction of the Courts of England.

**4. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment No. 15, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 15.

This Amendment No. 15 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 15, the latter shall prevail to the extent of said inconsistency.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**5. SEVERABILITY**

In the event that any provision of this Amendment No. 15 should for any reason be held ineffective, the remainder of this Amendment No. 15 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 15 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 15 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 15.

This Amendment No 15 has been executed in two (2) original specimens which are in English.

A320/A330 PA – TAM – Amdt. 15 – CT1242567- 2/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



IN WITNESS WHEREOF this Amendment No 15 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name:

Name: Christophe Mourey

Title:

Title: Senior Vice President Contracts

Name:

Title:

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**IN WITNESS WHEREOF** this Amendment No 15 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name: JOSE MALUF

Name:

Title: VP Flota Latam  
LATAM Airlines Group S.A.

Title:

Name: FELIPE CAMPOS

Title: Director Leasing Flota Latam  
LATAM Airlines Group S.A.



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**AMENDMENT N° 16**  
**TO THE A320/A330**  
**PURCHASE AGREEMENT**  
**BETWEEN**  
**AIRBUS S.A.S.**  
**AND**  
**TAM – LINHAS AEREAS S. A.**

REF: CT1242567

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





**AMENDMENT N° 16**

**TO THE**

**A320/A330 PURCHASE AGREEMENT**

This Amendment No. 16 is made as of the 27<sup>th</sup> day of February 2013 to the A320/A330 Purchase Agreement signed on November 14, 2006,

Between

**AIRBUS S.A.S.**, having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX  
 FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

**TAM – LINHAS AEREAS S.A.**, having its principal office at:

Avenida Jurandir, 856, 4° andar, Lote 4,  
 CEP 04072 - 000, Jardim CECI  
SAO PAULO - SP  
 BRAZIL

(herein after referred to as “**the Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

A320/A330 PA – TAM – Amdt. 16 – CT1242567- 2/2013



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**WHEREAS**

- A- The Seller and the Buyer have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 12, 2009, Amendment No. 4, dated as of July 1, 2009, Amendment No. 5, dated as of December 24, 2009, Amendment No. 6, dated as of March 4, 2010, Amendment No. 7, dated as of July 28, 2010, Amendment No. 8, dated as of April 29, 2011, Amendment No. 9, dated as of June 13, 2011, Amendment No. 10, dated as of October 11, 2011, Amendment No. 11, dated as of October 11, 2011, Amendment No. 12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012 Amendment No. 14, dated as of December 14, 2012 and Amendment No. 15, dated as of February 18, 2013 incorporated therein is hereinafter referred to as the “**Agreement**”.
- B- The Buyer and the Seller have agreed to [\*\*\*] of certain A320 Family Aircraft.
- C- The Buyer and the Seller have agreed to make some changes to the Scheduled Delivery Month and Scheduled Delivery Quarter of certain A320 Family Aircraft.
- D- The Buyer and the Seller have agreed to make certain [\*\*\*] the Propulsion Systems and NEO Propulsion Systems for certain Aircraft.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. A320 FAMILY TYPE CONVERSION AND RESCHEDULING

1.1 The Buyer has requested to the Seller, and the Seller has agreed to [\*\*\*] A320 Family Aircraft (the “[\*\*\*] Aircraft”) and to reschedule the delivery of i) Aircraft identified by rank number 121 and ii) to certain [\*\*\*] Aircraft as follows:

| <u>Aircraft Rank</u> | <u>CAC_Id</u> | <u>[***] Scheduled Delivery Month / Quarter</u> | <u>[***] Scheduled Delivery Quarter</u> | <u>[***] Aircraft Type</u> | <u>[***] Aircraft Type</u> | <u>Aircraft Batch</u>                 |
|----------------------|---------------|---|---|----------------------------|----------------------------|---------------------------------------|
| 96                   | [***]         | [***] 2015                                      | [***] 2015                              | A320                       | A321                       | Aircraft Nos 95-114                   |
| 112                  | [***]         | [***] 2015                                      | [***] 2015                              | A319                       | A321                       | Aircraft Nos 95-114                   |
| 114                  | [***]         | [***] 2015                                      | [***] 2015                              | A320                       | A321                       | Aircraft Nos 95-114                   |
| 120                  | [***]         | June 2014                                       | [***] 2016                              | A319                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 121                  | [***]         | September 2014                                  | November 2014                           | A321                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 122                  | [***]         | August 2014                                     | [***] 2016                              | A320                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 123                  | [***]         | July 2014                                       | [***] 2016                              | A319                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 125                  | [***]         | November 2014                                   | [***] 2016                              | A320                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 126                  | [***]         | [***] 2014                                      | [***] 2016                              | A319                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 128                  | [***]         | [***] 2015                                      | [***] 2016                              | A320                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 129                  | [***]         | [***] 2015                                      | [***] 2016                              | A319                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 130                  | [***]         | [***] 2015                                      | [***] 2016                              | A319                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 132                  | [***]         | [***] 2015                                      | [***] 2016                              | A320                       | A321                       | 2010 A320 Family Incremental Aircraft |
| 134                  | [***]         | [***] 2015                                      | [***] 2015                              | A320                       | A321                       | 2010 A320 Family Incremental Aircraft |



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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| <u>Aircraft Rank</u> | <u>CAC_Id</u> | <u>[***]<br/>Scheduled<br/>Delivery<br/>Month /<br/>Quarter</u> | <u>[***]<br/>Scheduled<br/>Delivery<br/>Quarter</u> | <u>[***]<br/>Aircraft<br/>Type</u> | <u>[***]<br/>Aircraft<br/>Type</u> | <u>Aircraft Batch</u>                    |
|----------------------|---------------|---|---|------------------------------------|------------------------------------|--|
| 135                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 136                  | [***]         | 1 <sup>st</sup> Quarter<br>2016                                 | 1 <sup>st</sup> Quarter<br>2016                     | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 137                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 138                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 139                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 140                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 141                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 142                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 143                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |
| 144                  | [***]         | [***]   | [***]   | A320                               | A321                               | 2011 A320 Family<br>Incremental Aircraft |

1.2 As a result of the Aircraft [\*\*\*] set forth in Clause 1.1 above, Clause 1.1 of Amendment No. 7 is hereby amended and restated as follows:

QUOTE

1.1 “Sale and Purchase: Pursuant to and in accordance with the terms and conditions contained in this Amendment N°7 (and incorporating the relevant provisions of the A320/A330 Purchase Agreement), the Seller shall sell and deliver and the Buyer shall buy and take delivery of [\*\*\*] A320 Aircraft and [\*\*\*] A321 Aircraft (hereinafter collectively referred to as the “**2010 A320 Family Incremental Aircraft**”).

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



UNQUOTE

As a result of the Aircraft [\*\*\*] set forth in Clause 1.1 above, Clause 0.1 of Amendment No. 10 is hereby amended and restated as follows:

QUOTE

0.1 Sale and Purchase: Pursuant to and in accordance with the terms and conditions contained in this Amendment N°10 (and incorporating the relevant provisions of the A320/A330 Purchase Agreement), the Seller shall sell and deliver and the Buyer shall buy and take delivery of [\*\*\*] A321 Aircraft (hereinafter collectively referred to as the “**2011 A320 Family Incremental Aircraft**”).

UNQUOTE

1.3 New Delivery Schedule: As a result of the rescheduling [\*\*\*] set forth in Clause 1.1 above, Clause 9.1.1.1 of the Agreement is hereby amended and restated as follows:

QUOTE

**9.1.1.1 A319 / A320 / A321 Aircraft**

| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u> |
|----------------------|----------------------|-------------------------------|----------------------------|
| - Aircraft N° 64     | A321                 | Aug-07                        |                            |
| - Aircraft N° 65     | A321                 | Aug-07                        |                            |
| - Aircraft N° 66     | A320                 | Oct-07                        |                            |
| - Aircraft N° 67     | A320                 | Oct-07                        |                            |
| - Aircraft N° 68     | A321                 | Nov-07                        |                            |
| - Aircraft N° 69     | A319                 | Nov-08                        |                            |
| - Aircraft N° 70     | A319                 | Jul-08                        |                            |
| - Aircraft N° 71     | A319                 | Aug-08                        |                            |
| - Aircraft N° 72     | A321                 | Feb-09                        |                            |
| - Aircraft N° 73     | A321                 | Jan-09                        |                            |
| - Aircraft N° 74     | A321                 | Mar-13                        |                            |
| - Aircraft N° 75     | A320                 | May-09                        |                            |
| - Aircraft N° 76     | A320                 | Dec-11                        |                            |
| - Aircraft N° 77     | A321                 | Jan-11                        |                            |
| - Aircraft N° 78     | A320                 | Dec-11                        |                            |
| - Aircraft N° 79     | A321                 | Apr-11                        |                            |
| - Aircraft N° 80     | A321                 | Jun-10                        |                            |
| - Aircraft N° 81     | A319                 | Jan-10                        |                            |
| - Aircraft N° 82     | A319                 | Jul-11                        |                            |
| - Aircraft N° 83     | A319                 | Jun-11                        |                            |
| - Aircraft N° 84     | A321                 | Jun-10                        |                            |
| - Aircraft N° 85     | A320                 | Mar-12                        |                            |
| - Aircraft N° 86     | A320                 | Feb-12                        |                            |
| - Aircraft N° 87     | A320                 | Jun-13                        |                            |
| - Aircraft N° 88     | A320                 | Nov-13                        |                            |



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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| <u>Aircraft Rank</u>     | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>            |
|--------------------------|----------------------|-------------------------------|---------------------------------------|
| - Aircraft N° 89         | A319                 | Jun-11                        |                                       |
| - Aircraft N° 90         | A320                 | Jul-12                        |                                       |
| - Aircraft N° 91         | A320                 | Mar-12                        |                                       |
| - Aircraft N° 92         | A320                 | Oct-10                        |                                       |
| - Aircraft N° 93         | A320                 | Jun-12                        |                                       |
| - Aircraft N° 94         | A320                 | Nov-13                        |                                       |
| - Aircraft N° 95         | A320                 | Aug-12                        | Aircraft Nos 95-114                   |
| - <b>Aircraft N° 96</b>  | <b>A321</b>          | [***] 2015                    | Aircraft Nos 95-114                   |
| - Aircraft N° 97         | A320                 | Oct-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 98         | A320                 | Mar-14                        | Aircraft Nos 95-114                   |
| - Aircraft N° 99         | A320                 | Nov-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 100        | A320                 | Aug-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 101        | A320                 | May-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 102        | A320                 | Jun-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 103        | A320                 | Apr-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 104        | A320                 | Jul-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 105        | A320                 | Sep-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 106        | A320                 | Sep-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 107        | A320                 | May-14                        | Aircraft Nos 95-114                   |
| - Aircraft N° 108        | A320                 | Oct-13                        | Aircraft Nos 95-114                   |
| - Aircraft N° 109        | A320                 | Jun-14                        | Aircraft Nos 95-114                   |
| - Aircraft N° 110        | A319                 | Oct-12                        | Aircraft Nos 95-114                   |
| - Aircraft N° 111        | A320                 | May-12                        | Aircraft Nos 95-114                   |
| - <b>Aircraft N° 112</b> | <b>A321</b>          | [***] 2015                    | Aircraft Nos 95-114                   |
| - Aircraft N° 113        | A320                 | Mar-12                        | Aircraft Nos 95-114                   |
| - <b>Aircraft N° 114</b> | <b>A321</b>          | [***] 2015                    | Aircraft Nos 95-114                   |
| - Aircraft N° 115        | A321                 | Jan-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 116        | A320                 | Feb-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 117        | A320                 | Mar-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 118        | A321                 | Apr-14                        | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 119        | A321                 | [***] 2015                    | 2010 A320 Family Incremental Aircraft |
| - <b>Aircraft N° 120</b> | <b>A321</b>          | [***] 2016                    | 2010 A320 Family Incremental Aircraft |
| - <b>Aircraft N° 121</b> | <b>A321</b>          | <b>Nov-14</b>                 | 2010 A320 Family Incremental Aircraft |
| - <b>Aircraft N° 122</b> | <b>A321</b>          | [***] 2016                    | 2010 A320 Family Incremental Aircraft |
| - <b>Aircraft N° 123</b> | <b>A321</b>          | [***] 2016                    | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 124        | A321                 | Dec-14                        | 2010 A320 Family Incremental Aircraft |



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>  | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>            |
|-----------------------|----------------------|-------------------------------|---------------------------------------|
| - Aircraft N° 125     | A321                 | *** 2016                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 126     | A321                 | *** 2016                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 127     | A321                 | *** -15                       | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 128     | A321                 | *** 2016                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 129     | A321                 | *** 2016                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 130     | A321                 | *** 2016                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 131     | A321                 | *** 2015                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 132     | A321                 | *** 2016                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 133     | A321                 | *** 2015                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 134     | A321                 | *** 2015                      | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 135     | A321                 | *** 2016                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 136     | A321                 | *** 2016                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 137     | A321                 | *** 2016                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 138     | A321                 | *** 2016                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 139     | A321                 | *** 2016                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 140     | A321                 | *** 2016                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 141     | A321                 | *** 2017                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 142     | A321                 | *** 2017                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 143     | A321                 | *** 2017                      | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 144     | A321                 | *** 2017                      | 2011 A320 Family Incremental Aircraft |
| -***] Aircraft N° 145 | A320                 | *** 2016                      | 2011 A320 [***] Family Aircraft       |
| -***] Aircraft N° 146 | A320                 | *** 2016                      | 2011 A320 [***] Family Aircraft       |
| -***] Aircraft N° 147 | A320                 | *** 2017                      | 2011 A320 [***] Family Aircraft       |
| -***] Aircraft N° 148 | A320                 | *** 2017                      | 2011 A320 [***] Family Aircraft       |



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>   | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>      |
|------------------------|----------------------|-------------------------------|---------------------------------|
| -[***] Aircraft N° 149 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 150 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 151 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 152 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 153 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 154 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 155 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 156 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 157 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 158 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 159 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 160 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 161 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 162 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 163 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 164 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 165 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |
| -[***] Aircraft N° 166 | A321                 | [***] 2018                    | 2011 A320 [***] Family Aircraft |

1.4 Pre-delivery payment:

The Predelivery Payments paid to date in respect of the [\*\*\*] Aircraft and Aircraft identified by rank number 121 totals [\*\*\*] As a result of the Aircraft [\*\*\*] rescheduling set forth in Clause 1.1 above, the parties hereby agree the Buyer shall [\*\*\*] in respect of the [\*\*\*] Aircraft, and [\*\*\*] in accordance with the Predelivery Payment schedule and this amount [\*\*\*] under the Agreement. This amount when [\*\*\*] as of the date hereof.



“[ \* \* \* ]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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1.5 Propulsion System and BFE:

1.5.1 The Buyer will notify the relevant Propulsion Systems and BFE suppliers of the changes in the delivery schedule [\*\*\*] effected pursuant to Clause 1.3 and will ensure the availability of the relevant Propulsion Systems and BFE in accordance with the requirements of the Agreement. The Buyer will also notify the relevant Propulsion Systems suppliers of any changes effected pursuant to Clause 1.5.2 and ensure the availability of the selected Propulsion Systems.

1.5.2 Notwithstanding anything to the contrary in the Agreement, the Buyer will provide written notice to the Seller of its choice of Propulsion Systems with respect to the Aircraft rank 119 through and including rank 134 no later than [\*\*\*]

The Buyer has previously notified the Seller that Aircraft rank 115 through and including rank 118 will be equipped with CFM International 56-5B4/P engines for the A320-200 type Aircraft and International Aero Engine V2533-A5 engines for the A321-200 type Aircraft.

The Buyer has also previously notified the Seller of its Propulsion Systems selection with respect to Aircraft ranks 96, 112 and 114, [\*\*\*]

1.5.3 The last sentence in Clause 2.3 of Amendment No. 11 is hereby amended and restated as follows:

QUOTE

The Buyer will provide written notice of its choice of NEO Propulsion Systems with respect to the A320 NEO Family Aircraft no later than [\*\*\*] for the Aircraft with the New Engine Option scheduled to be delivered up to and including [\*\*\*] pursuant to Clause 9.1.1.1. For the Aircraft with the New Engine Option scheduled to be delivered from and including the [\*\*\*] the Buyer shall notify the Seller in writing [\*\*\*] prior to the Scheduled Delivery Month of such Aircraft.

UNQUOTE

1.5.4 If the Buyer does not notify the Seller of its choice of Propulsion Systems or NEO Propulsion Systems on the dates and in the manner specified in the Agreement, then, in addition to any other rights or remedies available to the Seller under the Agreement or at law, [\*\*\*]



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



1.6 Escalation:

Clause 1.1(ii) of Letter Agreement No. 2 to Amendment No. 7 of the Agreement shall be amended, in respect of Aircraft identified by rank numbers 120, 122, 123, 125, 126, 128, 129, 130 & 132, by deleting each and every reference to the date [\*\*\*] and replacing it with the date [\*\*\*]

2. **CONFIDENTIALITY**

This Amendment No. 16 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

3. **LAW AND JURISDICTION**

This Amendment No. 16 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this No. 16 shall be within the exclusive jurisdiction of the Courts of England.

4. **MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment No. 16, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 16.

This Amendment No. 16 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 16, the latter shall prevail to the extent of said inconsistency.

5. **SEVERABILITY**

In the event that any provision of this Amendment No. 16 should for any reason be held ineffective, the remainder of this Amendment No. 16 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 16 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 16 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 16.



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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This Amendment No 16 has been executed in two (2) original specimens which are in English.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**IN WITNESS WHEREOF** this Amendment No 16 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name: Ruy Antonio Mendes Amparo  
Title: Vice President Director

Name:  
Title:

Name: José Zaidan Maluf  
Title: Attorney-in-fact  
Procurador



“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**AMENDMENT N° 17**  
**TO THE A320/A330**  
**PURCHASE AGREEMENT**  
**BETWEEN**  
**AIRBUS S.A.S.**  
**AND**  
**TAM – LINHAS AEREAS S.A.**

REF: CT1242567

A320/A330 PA – TAM – Amdt. 17 – CT1242567- 8/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AMENDMENT N° 17

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No.17 is made as of the 19<sup>th</sup> day of August 2013 to the A320/A330 Purchase Agreement signed on November 14, 2006,

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX  
FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “the Seller”) of the one part,

AND

TAM – LINHAS AEREAS S.A., having its principal office at:

Avenida Jurandir, 856, 4° andar, Lote 4,  
CEP 04072 - 000, Jardim CECI  
SAO PAULO - SP  
BRAZIL

(herein after referred to as “the Buyer”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**WHEREAS**

- A- The Seller and the Buyer have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 12, 2009, Amendment No. 4, dated as of July 1, 2009, Amendment No. 5, dated as of December 24, 2009, Amendment No. 6, dated as of March 4, 2010, Amendment No. 7, dated as of July 28, 2010, Amendment No. 8, dated as of April 29, 2011, Amendment No. 9, dated as of June 13, 2011, Amendment No. 10, dated as of October 11, 2011, Amendment No. 11, dated as of October 11, 2011, Amendment No. 12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012 Amendment No. 14, dated as of December 14, 2012, Amendment No. 15, dated as of February 18, 2013 and Amendment No. 16, dated as of February 27, 2013 incorporated therein is hereinafter referred to as the “**Agreement**”.
- B- The Buyer and the Seller have agreed to make a change to the Scheduled Delivery Month of a certain A320 Family Aircraft.
- C- The Buyer wishes to make its selection of the Propulsion Systems and NEO Propulsion Systems for certain Aircraft.

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. A320 FAMILY [\*\*\*] AND RESCHEDULING

1.1 The Parties have agreed to reschedule the delivery of one (1) Aircraft identified by rank number 118 as follows:

| <u>Aircraft Rank</u> | <u>CAC_Id</u> | <u>Original Scheduled Delivery Month / Quarter</u> | <u>Revised Scheduled Delivery Quarter</u> | <u>Aircraft Type</u> | <u>Aircraft Batch</u>                 |
|----------------------|---------------|--|---|----------------------|---------------------------------------|
| 118                  | 355733        | April 2014   | May 2014                                  | A321                 | 2010 A320 Family Incremental Aircraft |

1.2 *New Delivery Schedule:* As a result of the rescheduling set forth in Clause 1.1 above, Clause 9.1.1.1 of the Agreement is hereby amended and restated as follows:

QUOTE

9.1.1.1 A319 / A320 / A321 Aircraft

| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u> |
|----------------------|----------------------|-------------------------------|----------------------------|
| - Aircraft N° 64     | A321                 | Aug-07                        |                            |
| - Aircraft N° 65     | A321                 | Aug-07                        |                            |
| - Aircraft N° 66     | A320                 | Oct-07                        |                            |
| - Aircraft N° 67     | A320                 | Oct-07                        |                            |
| - Aircraft N° 68     | A321                 | Nov-07                        |                            |
| - Aircraft N° 69     | A319                 | Nov-08                        |                            |
| - Aircraft N° 70     | A319                 | Jul-08                        |                            |
| - Aircraft N° 71     | A319                 | Aug-08                        |                            |
| - Aircraft N° 72     | A321                 | Feb-09                        |                            |
| - Aircraft N° 73     | A321                 | Jan-09                        |                            |
| - Aircraft N° 74     | A321                 | Mar-13                        |                            |
| - Aircraft N° 75     | A320                 | May-09                        |                            |
| - Aircraft N° 76     | A320                 | Dec-11                        |                            |
| - Aircraft N° 77     | A321                 | Jan-11                        |                            |
| - Aircraft N° 78     | A320                 | Dec-11                        |                            |
| - Aircraft N° 79     | A321                 | Apr-11                        |                            |
| - Aircraft N° 80     | A321                 | Jun-10                        |                            |
| - Aircraft N° 81     | A319                 | Jan-10                        |                            |
| - Aircraft N° 82     | A319                 | Jul-11                        |                            |
| - Aircraft N° 83     | A319                 | Jun-11                        |                            |
| - Aircraft N° 84     | A321                 | Jun-10                        |                            |
| - Aircraft N° 85     | A320                 | Mar-12                        |                            |
| - Aircraft N° 86     | A320                 | Feb-12                        |                            |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>     | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>               |
|--------------------------|----------------------|-------------------------------|--|
| - Aircraft N° 87         | A320                 | Jun-13                        |  |
| - Aircraft N° 88         | A320                 | Nov-13                        |  |
| - Aircraft N° 89         | A319                 | Jun-11                        |  |
| - Aircraft N° 90         | A320                 | Jul-12                        |  |
| - Aircraft N° 91         | A320                 | Mar-12                        |  |
| - Aircraft N° 92         | A320                 | Oct-10                        |  |
| - Aircraft N° 93         | A320                 | Jun-12                        |  |
| - Aircraft N° 94         | A320                 | Nov-13                        |  |
| - Aircraft N° 95         | A320                 | Aug-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 96         | A321                 | [***] 2015                    | Aircraft Nos 95-114                      |
| - Aircraft N° 97         | A320                 | Oct-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 98         | A320                 | Mar-14                        | Aircraft Nos 95-114                      |
| - Aircraft N° 99         | A320                 | Nov-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 100        | A320                 | Aug-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 101        | A320                 | May-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 102        | A320                 | Jun-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 103        | A320                 | Apr-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 104        | A320                 | Jul-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 105        | A320                 | Sep-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 106        | A320                 | Sep-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 107        | A320                 | May-14                        | Aircraft Nos 95-114                      |
| - Aircraft N° 108        | A320                 | Oct-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 109        | A320                 | Jun-14                        | Aircraft Nos 95-114                      |
| - Aircraft N° 110        | A319                 | Oct-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 111        | A320                 | May-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 112        | A321                 | [***] 2015                    | Aircraft Nos 95-114                      |
| - Aircraft N° 113        | A320                 | Mar-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 114        | A321                 | [***] 2015                    | Aircraft Nos 95-114                      |
| - Aircraft N° 115        | A321                 | Jan-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 116        | A320                 | Feb-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 117        | A320                 | Mar-14                        | 2010 A320 Family<br>Incremental Aircraft |
| <b>- Aircraft N° 118</b> | <b>A321</b>          | <b>May-14</b>                 | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 119        | A321                 | [***] 2015                    | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 120        | A321                 | [***] 2016                    | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 121        | A321                 | Nov-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 122        | A321                 | [***] 2016                    | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 123        | A321                 | [***] 2016                    | 2010 A320 Family<br>Incremental Aircraft |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>   | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>               |
|------------------------|----------------------|-------------------------------|--|
| - Aircraft N° 124      | A321                 | Dec-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 125      | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 126      | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 127      | A321                 | ***] 15                       | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 128      | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 129      | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 130      | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 131      | A321                 | ***] 2015                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 132      | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 133      | A321                 | ***] 2015                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 134      | A321                 | ***] 2015                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 135      | A321                 | ***] 2016                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 136      | A321                 | ***] 2016                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 137      | A321                 | ***] 2016                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 138      | A321                 | ***] 2016                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 139      | A321                 | ***] 2016                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 140      | A321                 | ***] 2016                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 141      | A321                 | ***] 2017                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 142      | A321                 | ***] 2017                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 143      | A321                 | ***] 2017                     | 2011 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 144      | A321                 | ***] 2017                     | 2011 A320 Family<br>Incremental Aircraft |
| - ***] Aircraft N° 145 | A320                 | ***] 2016                     | 2011 A320 ***]<br>Family Aircraft        |
| - ***] Aircraft N° 146 | A320                 | ***] 2016                     | 2011 A320 ***]<br>Family Aircraft        |
| - ***] Aircraft N° 147 | A320                 | ***] 2017                     | 2011 A320 ***]<br>Family Aircraft        |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>    | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>         |
|-------------------------|----------------------|-------------------------------|------------------------------------|
| - [***] Aircraft N° 148 | A320                 | 2 <sup>nd</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 149 | A320                 | 2 <sup>nd</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 150 | A320                 | 3 <sup>rd</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 151 | A320                 | 3 <sup>rd</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 152 | A320                 | 4 <sup>th</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 153 | A320                 | 4 <sup>th</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 154 | A320                 | 4 <sup>th</sup> Quarter 2017  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 155 | A320                 | 1 <sup>st</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 156 | A320                 | 1 <sup>st</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 157 | A320                 | 1 <sup>st</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 158 | A320                 | 2 <sup>nd</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 159 | A320                 | 2 <sup>nd</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 160 | A320                 | 2 <sup>nd</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 161 | A321                 | 3 <sup>rd</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 162 | A321                 | 3 <sup>rd</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 163 | A321                 | 3 <sup>rd</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 164 | A321                 | 4 <sup>th</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 165 | A321                 | 4 <sup>th</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 166 | A321                 | 4 <sup>th</sup> Quarter 2018  | 2011 A320 [***]<br>Family Aircraft |

1.3 Propulsion System:

1.3.2 The Buyer hereby selects the following Propulsion Systems with respect to the Aircraft rank 96, 112, 114 and 119 through and including rank 134:

for each A321 Aircraft: CFM INTERNATIONAL 56-5B3/3.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



1.3.3 The Buyer hereby selects the following NEO Propulsion Systems with respect to the A320 NEO Family Aircraft rank 145 through and including rank 160:

- for each A319 Aircraft: PRATT & WHITNEY PW1124G
- for each A320 Aircraft: PRATT & WHITNEY PW1127G
- for each A321 Aircraft: PRATT & WHITNEY PW1133G

**2. Specification – Design Weight**

[\*\*\*]

**3. Delivery Matters**

**3.1** [\*\*\*]

**3.2** [\*\*\*]

**4. CONFIDENTIALITY**

This Amendment No. 17 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

**5. LAW AND JURISDICTION**

This Amendment No. 17 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this No. 17 shall be within the exclusive jurisdiction of the Courts of England.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**6. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment No. 17, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 17.

This Amendment No. 17 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 17, the latter shall prevail to the extent of said inconsistency.

This Amendment No. 17 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

**7. SEVERABILITY**

In the event that any provision of this Amendment No. 17 should for any reason be held ineffective, the remainder of this Amendment No. 17 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 17 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 17 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 17.

This Amendment No. 17 has been executed in two (2) original specimens which are in English.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**IN WITNESS WHEREOF** this Amendment No. 17 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name:

Name:

Title:

Title:

Name:

Title:

A320/A330 PA – TAM – Amdt. 17 – CT1242567- 8/2013

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**AMENDMENT N° 18**  
**TO THE A320/A330**  
**PURCHASE AGREEMENT**  
**BETWEEN**  
**AIRBUS S.A.S.**  
**AND**  
**TAM – LINHAS AEREAS S. A.**

REF: CT1242567

A320/A330 PA – TAM – Amdt. 18 – CT1242567- 7/2014

Page 1 of 6

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





AMENDMENT N° 18

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No.18 is made as of the 15<sup>th</sup> day of July 2014 to the A320/A330 Purchase Agreement signed on November 14, 2006,

Between

**AIRBUS S.A.S.**, having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX  
FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

**TAM – LINHAS AEREAS S.A.**, having its principal office at:

Avenida Jurandir, 856, 4° andar, Lote 4,  
CEP 04072 - 000, Jardim CECI  
SAO PAULO - SP  
BRAZIL

(herein after referred to as “**the Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

A320/A330 PA – TAM – Amdt. 18 – CT1242567- 7/2014

Page 2 of 6

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**WHEREAS**

- A- The Seller and the Buyer have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 12, 2009, Amendment No. 4, dated as of July 1, 2009, Amendment No. 5, dated as of December 24, 2009, Amendment No. 6, dated as of March 4, 2010, Amendment No. 7, dated as of July 28, 2010, Amendment No. 8, dated as of April 29, 2011, Amendment No. 9, dated as of June 13, 2011, Amendment No. 10, dated as of October 11, 2011, Amendment No. 11, dated as of October 11, 2011, Amendment No. 12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012 Amendment No. 14, dated as of December 14, 2012, Amendment No. 15, dated as of February 18, 2013, Amendment No. 16, dated as of February 27, 2013 and Amendment No. 17, dated as of August 19, 2013 incorporated therein is hereinafter referred to as the “**Agreement**”.
- B- The Buyer and the Seller have agreed to change the terms and conditions of the [\*\*\*] as specified herein.

A320/A330 PA – TAM – Amdt. 18 – CT1242567- 7/2014

Page 3 of 6

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**NOW THEREFORE IT IS AGREED AS FOLLOWS:**

1. [\*\*\*]

**2. CONFIDENTIALITY**

This Amendment No. 18 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

**3. LAW AND JURISDICTION**

This Amendment No. 18 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this No. 18 shall be within the exclusive jurisdiction of the Courts of England.

**4. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment No. 18, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 18.

This Amendment No. 18 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 18, the latter shall prevail to the extent of said inconsistency.

This Amendment No. 18 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

**5. SEVERABILITY**

In the event that any provision of this Amendment No. 18 should for any reason be held ineffective, the remainder of this Amendment No. 18 shall remain in full force and effect. To the extent permitted by applicable law, each

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**LATAM AIRLINES GROUP**

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Page 1 of 1

party hereto hereby waives any provision of law which renders any provision of this Amendment No. 18 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 18 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 18.

This Amendment No. 18 has been executed in two (2) original specimens which are in English.

A320/A330 PA – TAM – Amdt. 18 – CT1242567- 7/2014

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**IN WITNESS WHEREOF** this Amendment No. 18 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

**TAM - LINHAS AEREAS S.A.**

**AIRBUS S.A.S.**

Name:

Name:

Title:

Title:

Name:

Title:

A320/A330 PA – TAM – Amdt. 18 – CT1242567- 7/2014

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**AMENDMENT N° 19**  
**TO THE A320/A330**  
**PURCHASE AGREEMENT**  
**BETWEEN**  
**AIRBUS S.A.S.**  
**AND**  
**LATAM AIRLINES GROUP S.A.**  
**REF: CT1242567**

A320/A330 PA – LATAM – Amdt. 19 – CT1242567- 12/2014

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AMENDMENT N° 19

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No. 19 is made as of the 11<sup>th</sup> day of December 2014 to the A320/A330 Purchase Agreement signed on November 14, 2006,

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte  
31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as “**the Seller**”) of the one part,

AND

LATAM AIRLINES GROUP S.A., having its principal office at:

Edificio Huidobro  
Avenida Presidente Riesco 5711 – 20th Floor  
Las Condes  
SANTIAGO  
CHILE

(herein after referred to as “**the Buyer**”) of the other part.

The Buyer and the Seller being collectively referred to as the “Parties” and individually as a “Party”.

A320/A330 PA – LATAM – Amdt. 19 – CT1242567- 12/2014

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“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



**WHEREAS**

- A- The Seller and TAM Linhas Aereas S.A. (the “**Original Buyer**”) have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Original Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 12, 2009, Amendment No. 4, dated as of July 1, 2009, Amendment No. 5, dated as of December 24, 2009, Amendment No. 6, dated as of March 4, 2010, Amendment No. 7, dated as of July 28, 2010, Amendment No. 8, dated as of April 29, 2011, Amendment No. 9, dated as of June 13, 2011, Amendment No. 10, dated as of October 11, 2011, Amendment No. 11, dated as of October 11, 2011, Amendment No. 12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012 Amendment No. 14, dated as of December 14, 2012, Amendment No. 15, dated as of February 18, 2013, Amendment No. 16, dated as of February 27, 2013, Amendment No. 17, dated as of August 19, 2013 and Amendment No. 18, dated as of July 15, 2014 incorporated therein is hereinafter referred to as the “**Original Agreement**”.
- B- The Buyer, Seller and Original Buyer entered into a novation agreement dated 30 October 2014 (the “**Novation**”) novating the Original Agreement from the Original Buyer to the Buyer (the Original Agreement as novated pursuant to the Novation is hereinafter referred to as the “**Agreement**”).
- C- The Buyer and the Seller entered into an A320 family purchase agreement dated March 20, 1998 covering the purchase by the Buyer and the sale by the Seller of certain A320 family aircraft, and such purchase agreement, together with all exhibits and appendices and as amended, supplemented or otherwise modified are together referred to as the “**Original A320 Family Purchase Agreement**”.
- D- The Buyer and the Seller entered into a deed of amendment and restatement of the Original A320 Family Purchase Agreement, dated August 2, 2000, dividing the Original A320 Family Purchase Agreement into two (2) separate purchase agreements and pursuant to the second such agreement as supplemented with all exhibits, appendices and as amended, supplemented or otherwise modified to and including the date hereof (the “**Second A320 Family Purchase Agreement**”).
- E- The Buyer and the Seller have agreed to reschedule [\*\*\*] certain A321 Aircraft [\*\*\*] as specified herein.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. A320 Family Aircraft and A320 NEO Aircraft

1.1 [\*\*\*]

1.2 Sale and Purchase: Pursuant to and in accordance with the terms and conditions contained in this Amendment N°19 (and incorporating the relevant provisions of the A320/A330 Purchase Agreement), the Seller shall sell and deliver and the Buyer shall buy and take delivery of [\*\*\*] A321 NEO Aircraft (hereinafter collectively referred to as the “2014[\*\*\*]Aircraft”).

1.3 All references to “2011 A320 NEO Family Aircraft” in the Agreement shall also be deemed to refer to the 2014[\*\*\*]Aircraft.

1.4 As a result of [\*\*\*] set forth in Clause 1.1 above, Clause 1.1 of Amendment No. 7 is hereby amended and restated as follows:

QUOTE

1.1 Sale and Purchase: Pursuant to and in accordance with the terms and conditions contained in this Amendment N°7 (and incorporating the relevant provisions of the A320/A330 Purchase Agreement), the Seller shall sell and deliver and the Buyer shall buy and take delivery of [\*\*\*] A320 Aircraft and [\*\*\*] A321 Aircraft (hereinafter collectively referred to as the “2010 A320 Family Incremental Aircraft”).

UNQUOTE

As a result of [\*\*\*] set forth in Clause 1.1 above, Clause 0.1 of Amendment No. 10 is hereby amended and restated as follows:

QUOTE

0.1 Sale and Purchase: Pursuant to and in accordance with the terms and conditions contained in this Amendment N°10 (and incorporating the relevant provisions of the A320/A330 Purchase Agreement), the Seller shall sell and deliver and the Buyer shall buy and take delivery of [\*\*\*] A321 Aircraft (hereinafter collectively referred to as the “2011 A320 Family Incremental Aircraft”).

UNQUOTE

“[ \* \* \* ]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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1.5 New Delivery Schedule: As a result of the rescheduling [\*\*\*] set forth in Clause 1.1 above, Clause 9.1.1.1 of the Agreement is hereby amended and restated as follows:

QUOTE

| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u> |
|----------------------|----------------------|-------------------------------|----------------------------|
| - Aircraft N° 64     | A321                 | Aug-07                        |                            |
| - Aircraft N° 65     | A321                 | Aug-07                        |                            |
| - Aircraft N° 66     | A320                 | Oct-07                        |                            |
| - Aircraft N° 67     | A320                 | Oct-07                        |                            |
| - Aircraft N° 68     | A321                 | Nov-07                        |                            |
| - Aircraft N° 69     | A319                 | Nov-08                        |                            |
| - Aircraft N° 70     | A319                 | Jul-08                        |                            |
| - Aircraft N° 71     | A319                 | Aug-08                        |                            |
| - Aircraft N° 72     | A321                 | Feb-09                        |                            |
| - Aircraft N° 73     | A321                 | Jan-09                        |                            |
| - Aircraft N° 74     | A321                 | Mar-13                        |                            |
| - Aircraft N° 75     | A320                 | May-09                        |                            |
| - Aircraft N° 76     | A320                 | Dec-11                        |                            |
| - Aircraft N° 77     | A321                 | Jan-11                        |                            |
| - Aircraft N° 78     | A320                 | Dec-11                        |                            |
| - Aircraft N° 79     | A321                 | Apr-11                        |                            |
| - Aircraft N° 80     | A321                 | Jun-10                        |                            |
| - Aircraft N° 81     | A319                 | Jan-10                        |                            |
| - Aircraft N° 82     | A319                 | Jul-11                        |                            |
| - Aircraft N° 83     | A319                 | Jun-11                        |                            |
| - Aircraft N° 84     | A321                 | Jun-10                        |                            |
| - Aircraft N° 85     | A320                 | Mar-12                        |                            |
| - Aircraft N° 86     | A320                 | Feb-12                        |                            |
| - Aircraft N° 87     | A320                 | Jun-13                        |                            |
| - Aircraft N° 88     | A320                 | Nov-13                        |                            |
| - Aircraft N° 89     | A319                 | Jun-11                        |                            |
| - Aircraft N° 90     | A320                 | Jul-12                        |                            |
| - Aircraft N° 91     | A320                 | Mar-12                        |                            |
| - Aircraft N° 92     | A320                 | Oct-10                        |                            |
| - Aircraft N° 93     | A320                 | Jun-12                        |                            |
| - Aircraft N° 94     | A320                 | Nov-13                        |                            |
| - Aircraft N° 95     | A320                 | Aug-12                        | Aircraft Nos 95-114        |
| - Aircraft N° 96     | A321                 | [***] 2015                    | Aircraft Nos 95-114        |
| - Aircraft N° 97     | A320                 | Oct-12                        | Aircraft Nos 95-114        |
| - Aircraft N° 98     | A320                 | Mar-14                        | Aircraft Nos 95-114        |
| - Aircraft N° 99     | A320                 | Nov-13                        | Aircraft Nos 95-114        |
| - Aircraft N° 100    | A320                 | Aug-13                        | Aircraft Nos 95-114        |
| - Aircraft N° 101    | A320                 | May-13                        | Aircraft Nos 95-114        |
| - Aircraft N° 102    | A320                 | Jun-13                        | Aircraft Nos 95-114        |
| - Aircraft N° 103    | A320                 | Apr-13                        | Aircraft Nos 95-114        |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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| <u>Aircraft Rank</u> | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>               |
|----------------------|----------------------|-------------------------------|--|
| - Aircraft N° 104    | A320                 | Jul-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 105    | A320                 | Sep-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 106    | A320                 | Sep-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 107    | A320                 | May-14                        | Aircraft Nos 95-114                      |
| - Aircraft N° 108    | A320                 | Oct-13                        | Aircraft Nos 95-114                      |
| - Aircraft N° 109    | A320                 | Jun-14                        | Aircraft Nos 95-114                      |
| - Aircraft N° 110    | A319                 | Oct-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 111    | A320                 | May-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 112    | A321                 | ***] 2015                     | Aircraft Nos 95-114                      |
| - Aircraft N° 113    | A320                 | Mar-12                        | Aircraft Nos 95-114                      |
| - Aircraft N° 114    | A321                 | ***] 2015                     | Aircraft Nos 95-114                      |
| - Aircraft N° 115    | A321                 | Jan-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 116    | A320                 | Feb-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 117    | A320                 | Mar-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 118    | A321                 | May-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 119    | A321                 | ***] 2015                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 120    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 121    | A321                 | Nov-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 122    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 123    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 124    | A321                 | Dec-14                        | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 125    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 126    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 127    | A321                 | ***] 15                       | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 128    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 129    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 130    | A321                 | ***] 2016                     | 2010 A320 Family<br>Incremental Aircraft |
| - Aircraft N° 131    | A321                 | ***] 2015                     | 2010 A320 Family<br>Incremental Aircraft |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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| <u>Aircraft Rank</u>    | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>            |
|-------------------------|----------------------|-------------------------------|---------------------------------------|
| - Aircraft N° 133       | A321                 | [***] 2015                    | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 134       | A321                 | [***] 2015                    | 2010 A320 Family Incremental Aircraft |
| - Aircraft N° 135       | A321                 | [***] 2016                    | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 136       | A321                 | [***] 2016                    | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 137       | A321                 | [***] 2016                    | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 138       | A321                 | [***] 2016                    | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 139       | A321                 | [***] 2016                    | 2011 A320 Family Incremental Aircraft |
| - Aircraft N° 140       | A321                 | [***] 2016                    | 2011 A320 Family Incremental Aircraft |
| - [***] Aircraft N° 132 | A321                 | [***] 2021                    | 2014 [***] Aircraft                   |
| - [***] Aircraft N° 141 | A321                 | [***] 2021                    | 2014 [***] Aircraft                   |
| - [***] Aircraft N° 142 | A321                 | [***] 2021                    | 2014 [***] Aircraft                   |
| - [***] Aircraft N° 143 | A321                 | [***] 2021                    | 2014 [***] Aircraft                   |
| - [***] Aircraft N° 144 | A321                 | [***] 2021                    | 2014 [***] Aircraft                   |
| - [***] Aircraft N° 145 | A320                 | [***] 2016                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 146 | A320                 | [***] 2016                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 147 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 148 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 149 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 150 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 151 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 152 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 153 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 154 | A320                 | [***] 2017                    | 2011 A320 [***] Family Aircraft       |
| - [***] Aircraft N° 155 | A320                 | [***] 2018                    | 2011 A320 [***] Family Aircraft       |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



| <u>Aircraft Rank</u>    | <u>Aircraft Type</u> | <u>Delivery Month/Quarter</u> | <u>Aircraft defined as</u>         |
|-------------------------|----------------------|-------------------------------|------------------------------------|
| - [***] Aircraft N° 156 | A320                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 157 | A320                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 158 | A320                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 159 | A320                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 160 | A320                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 161 | A321                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 162 | A321                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 163 | A321                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 164 | A321                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 165 | A321                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |
| - [***] Aircraft N° 166 | A321                 | [***] 2018                    | 2011 A320 [***]<br>Family Aircraft |

1.6 Predelivery Payments

As a result of [\*\*\*] set forth in Clause 1.1 above, the parties hereby agree the Buyer shall [\*\*\*] as amended pursuant to amendment No. 17 to the Second A320 Family Purchase Agreement dated even date herewith) [\*\*\*] the date hereof.

1.7 [\*\*\*]

Clause 3 of Letter Agreement N°2 to Amendment N°11 to the Agreement is hereby amended by replacing the number “153” with the numbers “132, 141, 142, 143, 144 and 153” and deleting in its entirety the parenthetical “(as specified in Clause 4 of Amendment No. 11 to the A320/A330 Purchase Agreement)”.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**2. CONFIDENTIALITY**

This Amendment No. 19 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

**3. LAW AND JURISDICTION**

This Amendment No. 19 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment No. 19 shall be within the exclusive jurisdiction of the Courts of England.

**4. MISCELLANEOUS PROVISIONS**

If not otherwise expressly stated in this Amendment No. 19, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 19.

This Amendment No. 19 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 19, the latter shall prevail to the extent of said inconsistency.

This Amendment No. 19 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

**5. SEVERABILITY**

In the event that any provision of this Amendment No. 19 should for any reason be held ineffective, the remainder of this Amendment No. 19 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 19 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 19 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 19.

This Amendment No. 19 has been executed in two (2) original specimens which are in English.

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



IN WITNESS WHEREOF this Amendment No. 19 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

For and on behalf of

LATAM AIRLINES GROUP S.A.

AIRBUS S.A.S.

Name:

Name:

Title:

Title:

LATAM AIRLINES GROUP S.A.

Name: ANDRES DEL VALLE E.

Title: Director Senior Finanzas Corporativas

**Witness**

Name: Augusto Iglesias

Title: Aircraft & Engines Acquisition Analyst

A320/A330 PA – LATAM – Amdt. 19 – CT1242567- 12/2014

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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**IN WITNESS WHEREOF** this Amendment No. 19 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

**LATAM AIRLINES GROUP S.A.**

For and on behalf of

**AIRBUS S.A.S.**

Name:

Title:

**LATAM AIRLINES GROUP S.A.**

Name:

Title:

**Witness**

Name:

Title:

Name: Christophe Mourey

Title: Senior Vice President Contracts

A320/A330 PA – LATAM – Amdt. 19 – CT1242567- 12/2014

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





Exhibit 4.39

Supplemental Agreement No. 7 (SA-7)

to

Purchase Agreement No. 3158

between

The Boeing Company

and

TAM Linhas Aéreas S.A.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of \_\_\_\_\_, 2014, by and between THE BOEING COMPANY (Boeing) and TAM LINHAS AÉREAS S.A. (Customer);

\*\*\*]

\*\*\*]

WHEREAS, the parties have agreed to incorporate a new Exhibit A-4 for the 777F Aircraft configuration into the Agreement;

WHEREAS, Boeing and Customer have mutually agreed to amend the Purchase Agreement to incorporate the effect of this and certain other changes.

AGREEMENT

NOW THEREFORE, and in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

1. Revision of Table of Contents and Aircraft Information Table to the Purchase Agreement:

1.1. Table of Contents. \*\*\*]Tables. "[\*\*\*].

2. Exhibit A-4

2.1. A new "Exhibit A-4" attached hereto is added to describe the 777F Aircraft.

"[\* \* \*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.





TAM LINHAS AÉREAS S.A.

THE BOEING COMPANY

By: \_\_\_\_\_  
 \_\_\_\_\_  
 (Printed or Typed Name)

By: David J. Hilby  
 \_\_\_\_\_  
 Mr. David J. Hilby

Its: \_\_\_\_\_

Its: \_\_\_\_\_  
 Attorney in Fact

By: \_\_\_\_\_  
 \_\_\_\_\_  
 (Printed or Typed Name)

Its: \_\_\_\_\_

P.A. No. 3158  
 TAM

**Boeing Proprietary**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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| <u>ARTICLES</u>                    | <u>Supplemental<br/>Agreement<br/>Number</u> |
|------------------------------------|--|
| 1. Quantity, Model and Description |  |
| 2. Delivery Schedule               |  |
| 3. Price                           |  |
| 4. Payment                         |  |
| 5. Miscellaneous                   |  |
| <br><u>TABLE</u>                   |  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| <u>[***]</u>                       |  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| <u>[***]</u>                       |  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |
| [***] [***]                        | [***]  |

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



LETTER AGREEMENTS

SA  
Number

[\*\*\*] [\*\*\*]

[\*\*\*] [\*\*\*]

[\*\*\*] [\*\*\*]

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P.A. No. 3158  
TAM

Boeing Proprietary



**Table 3 To**  
**Purchase Agreement No. PA-3158**  
**Aircraft Delivery, Description, Price and Advance Payments**

[\*\*\*]  
“[\* \* \*]” The information in this table is subject to confidential treatment and has been omitted and filed separately with the commission.

**Boeing Proprietary**

SA-7  
Page 1



**Exhibit A-4 To  
Boeing Purchase Agreement**

| <u>CR</u>   | <u>Title</u>   | <u>2010 Dollars</u> |
|-------------|--|---------------------|
| 0110-000039 | MAJOR MODEL 777 AIRPLANE   | [***]               |
| 0110B750A90 |  | [***]               |
| 0220-000040 | FAA TYPE CERTIFICATION   | [***]               |
| 0220C485B30 | TYPE CERTIFICATON & EXPORT CERTIFICATE OF AIRWORTHINESS FOR AIRPLANE DELIVERY - REQUIREMENT  | [***]               |
| 0221-000002 | DISPATCH WITH GEAR EXTENDED FOR REVENUE FLIGHT   | [***]               |
| 0221B401A43 | TAKEOFF AND LANDING WITH TAILWIND UP TO 15-KNOTS   | [***]               |
| 0221B401A44 | ENGINE INOPERATIVE TEN MINUTE TAKEOFF THRUST OPERATION   | [***]               |
| 0228-000032 | FLIGHT CREW OPERATIONS MANUAL IN FAA FORMAT  | [***]               |
| 0228C485B24 | AIRPLANE FLIGHT MANUAL   | [***]               |
| 0229C677A10 | PERFORMANCE - CERTIFICATION FOR OPERATION AT AIRPORTS WITH PRESSURE ALTITUDES UP TO 9800 FEET  | [***]               |
| 0252B299A36 | INSTRUMENTATION, AIRPLANE AND FUEL MEASURING STICK MANUALS IN METRIC UNITS - TEMPERATURE IN DEGREES CELSIUS  | [***]               |
| 0315C485B25 | CERTIFIED OPERATIONAL WEIGHTS AND STRUCTURAL DESIGN WEIGHT- 777-FREIGHTER  | [***]               |
| 0351C485B36 | TAKEOFF PERFORMANCE IMPROVEMENT - ALTERNATE FORWARD CENTER OF GRAVITY LIMITS   | [***]               |
| 0352-000003 | AIRPLANE CUSTOMIZED LOADING SCHEDULE FOR WEIGHT AND BALANCE CONTROL - UNIVERSAL INDEX LOADING  | [***]               |
| 1110C826G34 | ENGINE NACELLES BAC 7067 WHITE - EXTERIOR COLOR SCHEME AND MARKINGS  | [***]               |
| 1110D121A74 | EXTERIOR COLOR SCHEME AND MARKINGS   | [***]               |
| 1130C826G26 | BILINGUAL INTERIOR PLACARDS - SUPERNUMERARY COMPARTMENT  | [***]               |
| 1130D121A69 | REGISTRY PLACARD AND EXTERNAL DATA PLATE   | [***]               |
| 1130D121A76 | INTERIOR PLACARDS - VERTICAL SIDEWALL LOWER LOBE COMPARTMENTS  | [***]               |
| 1200C608C65 | SERVICE OPTION - ELECTRONIC FLIGHT BAG (EFB) SOFTWARE INSTALLATION - CUSTOMER ACCEPTANCE WALK AND CUSTOMER FLIGHTS   | [***]               |
| 2162C687A13 | AFT CARGO COMPARTMENT - INSTALLATION - CONDITIONED AIR SYSTEM  | [***]               |
| 2210-000003 | AUTOFLIGHT - INHIBIT GLIDE SLOPE CAPTURE PRIOR TO LOCALIZER CAPTURE  | [***]               |
| 2210-000030 | AUTOFLIGHT - THREE DIGIT MACH NUMBER ON MODE CONTROL PANEL   | [***]               |
| 2210-000037 | AUTOFLIGHT - BANK ANGLE HOLD AT AUTOPILOT COMMAND ENGAGE   | [***]               |
| 2210C594A11 | AUTOFLIGHT - ENABLE LNAV ENGAGEMENT ON TAKEOFF GO-AROUND   | [***]               |
| 2311-000137 | HF COMMUNICATIONS - PARTIAL PROVISIONS FOR DUAL ARINC 753 HF DATALINK  | [***]               |
| 2311B401A39 | HF COMMUNICATIONS - EQUIPMENT INSTALLATION OF DUAL ROCKWELL HF VOICE/DATA TRANSCEIVERS - P/N 822-0990-004 AND DIGITAL HF COUPLERS - P/N 822-0987-004 BFE/SPE | [***]               |
| 2312-000703 | VHF COMMUNICATIONS - ACTIVATION OF 8.33 KHZ CHANNEL SPACING  | [***]               |



**Exhibit A-4 To  
Boeing Purchase Agreement**

| <u>CR</u>   | <u>Title</u>  | <u>2010 Dollars</u> |
|-------------|---|---------------------|
| 2312B401A87 | VHF COMMUNICATIONS - EQUIPMENT INSTALLATION OF TRIPLE ROCKWELL ARINC 750 VHF-2100 TRANSCEIVERS WITH 8.33 KHZ CHANNEL SPACING, VDL MODE 2, AND CMC INTERFACE CAPABILITY - P/N 822-1287-101 - BFE/SPE | [***]               |
| 2315C581A25 | SATCOM - AVIONICS EQUIPMENT INSTALLATION - ARINC 781 AERO-H+ AND SWIFTBROADBAND - THALES TOPFLIGHT SERIES - BFE/SPE   | [***]               |
| 2315C594A56 | SATCOM - ANTENNA EQUIPMENT INSTALLATION - ARINC 781 COMPACT HIGH GAIN ANTENNA - CHELTON HGA-7001 WITH DIPLEXER P/N 804-10-0023 - BFE/SPE  | [***]               |
| 2321B401A04 | SELCAL - AVTECH FIVE CHANNEL DECODER - P/N NA138-714C - BFE/SPE   | [***]               |
| 2322C926A04 | AIRCRAFT COMMUNICATIONS ADDRESSING AND REPORTING SYSTEM (ACARS) - AIRPLANE INFORMATION MANAGEMENT SYSTEM (AIMS) ACTIVATION - VHF DATALINK MODE 2  | [***]               |
| 2324B299A29 | EMERGENCY LOCATOR TRANSMITTER (ELT) - WULFSBERG ELECTRONICS AUTOMATIC FIXED WITH NAVIGATION INTERFACE UNIT (NIU) - MODE S BROADCAST - BFE/SPE   | [***]               |
| 2351-000033 | HAND HELD MICROPHONE - CAPTAIN AND FIRST OFFICER - ELECTROVOICE - P/N 903-1342 - BFE/SPE  | [***]               |
| 2351-000035 | HAND HELD MICROPHONE - FIRST OBSERVER - ELECTROVOICE - P/N 903-1342 - BFE/SPE   | [***]               |
| 2351-000042 | CONTROL WHEEL PUSH TO TALK (PTT) SWITCH - STANDARD THREE POSITION   | [***]               |
| 2351-000044 | AUDIO CONTROL PANEL - SECOND OBSERVER   | [***]               |
| 2351A213B78 | BOOM MICROPHONE HEADSETS - CAPTAIN, FIRST OFFICER AND FIRST OBSERVER - TELEX AIRMAN 750 - P/N 64300-200 - BFE/SPE   | [***]               |
| 2351A213B79 | BOOM MICROPHONE HEADSET - SECOND OBSERVER - TELEX AIRMAN 750 - P/N 64300-200 - BFE/SPE  | [***]               |
| 2371B628B36 | VOICE RECORDER, REMOTE MICROPHONE AND CONTROL PANEL - HONEYWELL - 2 HOUR RECORDING TIME - WITH DATALINK RECORDING CAPABILITY - P/N 980-6032-001, P/N 980-6115-001, P/N 980-6117-004 - BFE/SPE       | [***]               |
| 2371B628B42 | VOICE RECORDER - MANUAL ON/AUTO OFF SWITCH INSTALLATION - BACKUP POWER COMPATIBLE   | [***]               |
| 2371C608G87 | VOICE RECORDER - AIRPLANE INFORMATION MANAGEMENT SYSTEM (AIMS) ACTIVATION - CONTROLLER-PILOT DATA LINK COMMUNICATIONS (CPDLC) DATA LINK MESSAGE RECORDING CAPABILITY                                | [***]               |
| 2431-000013 | NO BATTERY POWERED POSITION LIGHTS AND DC BACKUP POWER - TOWING OPERATION   | [***]               |
| 2524C204D44 | OVERHEAD STOWAGE UNIT - CEILING MOUNTED   | [***]               |
| 2525C204F43 | HIGH CAPACITY SEATING PROVISIONS - SUPERNUMERARY COMPARTMENT - 9 SEATS  | [***]               |
| 2525C204F45 | ATTENDANT SEAT INSTALLATION - SUPERNUMERARY COMPARTMENT   | [***]               |
| 2527C204G19 | FLOOR COVERING - INSTALLATION - VINYL MAT THROUGHOUT THE SUPERNUMERARY AREA   | [***]               |
| 2530C826G23 | GALLEY - SUPERNUMERARY COMPARTMENT  | [***]               |
| 2530C826G24 | GALLEY INSERTS - SUPERNUMERARY COMPARTMENT  | [***]               |





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**Exhibit A-4 To  
Boeing Purchase Agreement**

| <u>CR</u>   | <u>Title</u>   | <u>2010 Dollars</u> |
|-------------|--|---------------------|
| 2552-000318 | SLOPING SIDEWALL - FORWARD CARGO COMPARTMENT - 0.050-INCH-THICK BMS 8-223  | [***]               |
| 2552-000319 | SLOPING SIDEWALL - AFT CARGO COMPARTMENT - 0.050-INCH-THICK BMS 8-223  | [***]               |
| 2557C703A68 | AIRPLANE LOADING TIP ALARM SYSTEM INSTALLATION   | [***]               |
| 2557C703A73 | INSTALL ""SEAT-TRACK-TYPE"" IN LIEU OF ""SHACKLE-TYPE"" MOVEABLE TIE-DOWNS IN THE MAIN DECK CARGO HANDLING SYSTEM  | [***]               |
| 2558C703A75 | MAIN DECK CARGO RESTRAINTS - USE OF LBL AND RBL 48.2 RESTRAINT ANCHOR POINTS FOR TIE-DOWNS   | [***]               |
| 2558C756A03 | CENTERLINE LOADING OF THREE (3) LONGITUDINALLY-LOADED 16FT OR 20 FT ULDS IN THE MAIN DECK CARGO COMPARTMENT  | [***]               |
| 2560-000207 | HALON FIRE EXTINGUISHER - FLIGHT DECK - WALTER KIDDE   | [***]               |
| 2560A075A10 | PROTECTIVE GLOVES - FLIGHT DECK - NORTH STAR - SFE   | [***]               |
| 2560C204E96 | PROTECTIVE BREATHING EQUIPMENT - FLIGHT DECK - B/E AEROSPACE   | [***]               |
| 2560C204H14 | FLASHLIGHTS WITH TAMPER SHIELD FOR TWO PILOTS - LED - FLIGHT DECK  | [***]               |
| 2560D121A81 | CREW LIFE VESTS - FLIGHT DECK, WITH SECOND OBSERVER - EASTERN AERO MARINE - P01202-101C - BFE  | [***]               |
| 2562C417D63 | EMERGENCY LOCATOR TRANSMITTER - PORTABLE   | [***]               |
| 2562D121A80 | EASTERN AERO MARINE CREW LIFE VEST - OVERWATER SURVIVAL EQUIPMENT - SUPERNUMERARY COMPARTMENT - BFE  | [***]               |
| 2564C204F03 | PROTECTIVE BREATHING EQUIPMENT - SUPERNUMERARY - B/E AEROSPACE   | [***]               |
| 2564C204G43 | FIRST AID KIT - FAA  | [***]               |
| 2564D413D53 | OXYGEN BOTTLE WITH FULL-FACE MASK, ADDITIONAL - SUPERNUMERARY COMPARTMENT- SUPPLEMENTAL CEILING MOUNTED STOWAGE COMPARTMENT  | [***]               |
| 2622-000017 | ENGINE/APU FIRE EXTINGUISHER BOTTLES - COMMON BOTTLE   | [***]               |
| 2911-000003 | AC MOTOR-DRIVEN HYDRAULIC PUMPS - EATON (VICKERS) S270T201-7   | [***]               |
| 2911-000026 | ENGINE-DRIVEN HYDRAULIC PUMPS - PARKER (ABEX) S271W111   | [***]               |
| 3120-000013 | SIXTY MINUTE COUNT DOWN TIMER - INSTALLATION - FLIGHT DECK   | [***]               |
| 3131B628B16 | DIGITAL FLIGHT DATA RECORDER (DFDR) - HONEYWELL - 1024 WORDS PER SECOND MAXIMUM DATA RATE - P/N 980-4750-009 - BFE/SPE   | [***]               |
| 3135B628B47 | QUICK ACCESS RECORDER - TELEDYNE CONTROLS - GSM WIRELESS GROUNDLINK QUICK ACCESS RECORDER - P/N 2243800-81 - 512 MB PCMCIA FLASH MEMORY CARD RECORDING MEDIA - INSTALLATION - BFE            | [***]               |
| 3143-000013 | AIMS AIRPLANE MODIFIABLE (AMI) SOFTWARE - INSTALLATION AFTER DELIVERY AND BEFORE FLYAWAY   | [***]               |
| 3143C926A05 | AIRPLANE INFORMATION MANAGEMENT SYSTEM (AIMS) - OPERATIONAL PROGRAM CONFIGURATION FILE ACTIVATION - FLIGHT INFORMATION DATALINK COMMUNICATIONS MENU - ARINC 623 AIR TRAFFIC SERVICE MESSAGES | [***]               |
| 3150A213A18 | AURAL ADVISORY OF ALTITUDE APPROACH - FLIGHT DECK  | [***]               |
| 3151-000042 | FIREBELL AURAL WARNING - 1 SECOND ON, 9 SECONDS OFF  | [***]               |
| 3151-000046 | AUTOPILOT DISCONNECT - AURAL WARNING SIREN - AURAL WARNING AND MASTER WARNING LIGHT INHIBITED WHEN AUTOPILOT DISCONNECT SWITCH IS DOUBLE PRESSED QUICKLY                                     | [***]               |
| 3151A065A47 | RESETTABLE OVERSPEED AURAL WARNING - SIREN   | [***]               |



**Exhibit A-4 To  
Boeing Purchase Agreement**

| <u>CR</u>   | <u>Title</u>   | <u>2010 Dollars</u> |
|-------------|--|---------------------|
| 3161-000002 | DOOR SYNOPTIC AND EICAS MESSAGE - PASSENGER DOOR SLIDE/RAFT ARMING HANDLE POSITION INDICATION - AUTO, MANUAL AND AUTO/MANUAL MESSAGES  | [***]               |
| 3161-000167 | ANNUNCIATION FOR LOSS OF RIGHT OR LEFT FMCS - EICAS ADVISORY MESSAGE   | [***]               |
| 3161-000168 | FLIGHT DECK COMMUNICATIONS FUNCTION (FDCF) AUTOMATIC RESET - ACTIVATION  | [***]               |
| 3161-000169 | ANNUNCIATION FOR SATELLITE VOICE COMMUNICATION CAPABILITY - EICAS  | [***]               |
| 3161-000170 | ANNUNCIATION FOR DATALINK AVAILABILITY - EICAS   | [***]               |
| 3161A425A45 | VMO/MMO OVERSPEED EICAS STATUS MESSAGE AND VFE OVERSPEED EICAS STATUS MESSAGE WITH FLAP/SLAT POSITION SNAPSHOT - FLIGHT DECK   | [***]               |
| 3162-000022 | FLIGHT DIRECTOR COMMAND DISPLAY - SPLIT AXIS - ADI   | [***]               |
| 3162-000026 | DISPLAY OF ROUND DIAL AND DIGITAL RADIO ALTITUDE - ADI   | [***]               |
| 3162-000030 | RISING RUNWAY - DISPLAYED ON THE ADI   | [***]               |
| 3162-000036 | LANDING ALTITUDE REFERENCE BAR - PRIMARY FLIGHT DISPLAY  | [***]               |
| 3162-000040 | BARO MINIMUMS POINTER - DISPLAYED ON SELECTION OF RADIO ALTITUDE MINIMUMS - PRIMARY FLIGHT DISPLAY   | [***]               |
| 3162-000044 | TCAS RESOLUTION ADVISORY - VSI   | [***]               |
| 3162-000051 | ILS LOCALIZER DEVIATION EXPANDED SCALE - AUTOPILOT OR FLIGHT DIRECTOR MODE   | [***]               |
| 3162-000059 | MAP MODE ORIENTATION - TRACK UP - NAVIGATION DISPLAY   | [***]               |
| 3162-000062 | GRID HEADING - NAVIGATION DISPLAY  | [***]               |
| 3162-000084 | TCAS 3 NM RANGE RING - NAVIGATION DISPLAY  | [***]               |
| 3162-000211 | VREF AND SELECTED FLAP POSITION - PRIMARY FLIGHT DISPLAY   | [***]               |
| 3162-000218 | GROUND SPEED - DISPLAYED BELOW AIRSPEED TAPE WHEN MACH NUMBER IS NOT DISPLAYED - PRIMARY FLIGHT DISPLAY  | [***]               |
| 3162C594A07 | NAVIGATION PERFORMANCE SCALES (NPS) AND REQUIRED NAVIGATION PERFORMANCE (RNP) ENHANCEMENTS - AIRPLANE INFORMATION MANAGEMENT SYSTEM (AIMS) - PRIMARY FLIGHT DISPLAY AND NAVIGATION DISPLAY | [***]               |
| 3245B047A08 | BRAKES - CARBON - HIGH CAPACITY - MESSIER-BUGATTI  | [***]               |
| 3245B047A09 | WHEELS AND TIRES - MAIN LANDING GEAR - HIGH GROSS WEIGHT WHEELS - MESSIER - BUGATTI - INSTALLATION WITH SFE 36 PR, 235 MPH RADIAL TIRES.   | [***]               |
| 3245B047A10 | WHEELS AND TIRES - NOSE LANDING GEAR - WHEELS - MESSIER - BUGATTI - INSTALLATION WITH SFE 32 PR, 235 MPH RADIAL TIRES  | [***]               |
| 3324C198A28 | PASSENGER INFORMATION SIGNS - NO SMOKING SIGN - PERMANENT ILLUMINATION AND NO SMOKING FLIGHT DECK SELECTOR SWITCH REMOVAL  | [***]               |
| 3430B866A33 | ILS/GPS MULTI-MODE RECEIVER (MMR) - ROCKWELL COLLINS - P/N 822-1821-001 - BFE/SPE  | [***]               |
| 3433-000032 | RADIO ALTIMETER (RA) - ROCKWELL INTERNATIONAL CORP - P/N 822-0334-002 - BFE/SPE  | [***]               |
| 3443A065B20 | DUAL WEATHER RADAR CONTROL PANEL - WITH MULTISCAN FUNCTIONALITY - ROCKWELL COLLINS P/N 622-5130-801 - BFE/SPE  | [***]               |
| 3443C594A20 | DUAL WEATHER RADAR SYSTEM - WITH PREDICTIVE WINDSHEAR AND MULTISCAN CAPABILITY - ROCKWELL COLLINS WRT-2100 TRANSCEIVER - P/N 822-1710-002 - BFE/SPE  | [***]               |



Exhibit A-4 To  
Boeing Purchase Agreement

| CR           | Title   | 2010 Dollars |
|--------------|---|--------------|
| 3445C594B04  | TCAS SYSTEM - ROCKWELL COLLINS TCAS COMPUTER P/N 822-1293-033 - TCAS CHANGE 7.1 COMPLIANT - BFE/SPE   | [***]        |
| 3446-000050  | 500 SMART CALLOUT   | [***]        |
| 3446-000088  | GROUND PROXIMITY WARNING SYSTEM ALTITUDE CALLOUTS - 2500, 1000, 50, 40, 30, 20, 10, APPROACHING DECISION HEIGHT, MINIMUMS                             | [***]        |
| 3446C174A14  | ENHANCED GROUND PROXIMITY WARNING SYSTEM (EGPWS) - BANK ANGLE CALLOUT (VARIABLE CALLOUT BELOW 130 FT) - ENABLE  | [***]        |
| 3451-000022  | VOR/MARKER BEACON - ROCKWELL RECEIVER P/N 822-0297-001 - BFE/SPE  | [***]        |
| 3453D197A15  | ATC SYSTEM - ROCKWELL COLLINS ATC TRANSPONDER P/N 822-1338-005 - ELS/EHS/ES AND TCAS CHANGE 7 COMPLIANT - GABLES CONTROL PANEL P/N G7131-03 - BFE/SPE | [***]        |
| 3455-000019  | DISTANCE MEASURING EQUIPMENT (DME) - ROCKWELL INTERROGATOR P/N 822-0329-001 - BFE/SPE   | [***]        |
| 3457-000214  | AUTOMATIC DIRECTION FINDER (ADF) - DUAL SYSTEM - ROCKWELL ADF-900 SERIES - ADF RECEIVER P/N 822-0299-001; ADF ANTENNA P/N 822-5404-003 - BFE/SPE      | [***]        |
| 3461A213A10  | FMCS - ENHANCED FIX PAGE CAPABILITIES   | [***]        |
| 3461A213A11  | FLIGHT MANAGEMENT COMPUTER SYSTEM (FMCS) - GPS APPROACHES WITH VERTICAL ANGLES  | [***]        |
| 3461A213A12  | FLIGHT MANAGEMENT COMPUTER SYSTEM (FMCS)- DISPLAY OF VERTICAL BEARING, FLIGHT PATH ANGLE (FPA) AND VERTICAL SPEED                                     | [***]        |
| 3461A425A05  | FLIGHT MANAGEMENT COMPUTER SYSTEM (FMCS) - RUNWAY DISTANCE AND OFFSET POSITION SHIFT IN UNITS OF FEET   | [***]        |
| 3461A425A08  | FLIGHT MANAGEMENT COMPUTER SYSTEM (FMCS) - FLIGHT CREW ALERTNESS MONITORING - ENABLE  | [***]        |
| 3461A425A10  | FLIGHT MANAGEMENT COMPUTER SYSTEM (FMCS) - NAVIGATION DATABASE - CUSTOMER SUPPLIED  | [***]        |
| 3461A425A23  | FLIGHT MANAGEMENT COMPUTER SYSTEM (FMCS)- QUICK REFERENCE HANDBOOK (QRH) - TAKEOFF SPEEDS- DISPLAYED  | [***]        |
| 3461C739A08  | FMCS - PROVIDE REQUIRED NAVIGATION PERFORMANCE (RNP) VALUES WITH 0.3 NM APPROACH  | [***]        |
| 3511B899B48  | CREW OXYGEN MASKS - AUTOMATIC PRESSURE BREATHING TYPE WITH SEPARATE SMOKE GOGGLES - CAPTAIN AND FIRST OFFICER - AVOX - BFE/SPE                        | [***]        |
| 3511B899B49  | CREW OXYGEN MASKS - AUTOMATIC PRESSURE BREATHING TYPE WITH SEPARATE SMOKE GOGGLES - FIRST OBSERVER - AVOX - BFE/SPE                                   | [***]        |
| 3511B899B50  | CREW OXYGEN MASKS - AUTOMATIC PRESSURE BREATHING TYPE WITH SEPARATE SMOKE GOGGLES - SECOND OBSERVER - AVOX - BFE/SPE                                  | [***]        |
| 4610B872A04  | ELECTRONIC FLIGHT BAG (EFB) - INSTALLATION  | [***]        |
| 4610C164A11  | CUSTOMER UNIQUE ELECTRONIC FLIGHT BAG (EFB) SOFTWARE INSTALLATION - AFTER DELIVERY AND BEFORE FLYAWAY   | [***]        |
| 4610C594A09  | ELECTRONIC FLIGHT BAG (EFB) SYSTEM - AIRPLANE INFORMATION MANAGEMENT SYSTEM (AIMS) - ACTIVATION OF ARINC 724B ACARS INTERFACE                         | [***]        |
| 4900-000016  | MUFFLER IN APU EXHAUST SYSTEM   | [***]        |
| 7200-000412  | GE PROPULSION SYSTEM  | [***]        |
| 7200A519A02  | GENERAL ELECTRIC ENGINES - GE90-110B1L THRUST RATING  | [***]        |
| 7900B753B83  | LUBRICATING OIL - BP TURBO OIL 2197   | [***]        |
| OPTIONS: 131 | TOTALS:   | [***]        |



The Boeing Company  
P.O. Box 3707  
Seattle, WA 98124-2207

6-1161-DJH-1298

TAM Linhas Aereas S.A.  
Rua General Pantaleao Teles, 210  
Sao Paulo - SP  
04355-040  
Brazil

Subject: Aircraft Performance Guarantees for Table 3 Aircraft

Reference: Purchase Agreement No. 3158 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and TAM Linhas Aereas S.A. (**Customer**) relating to Model Model 777 aircraft (**777F Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

[\*\*\*]

1. Confidential Treatment.

Boeing and Customer understand that the commercial and financial information contained in this Letter Agreement is considered by the parties as confidential (**Confidential Information**) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Letter Agreement and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Letter Agreement is required by applicable law, the party will so advise the other party promptly in writing and endeavor to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. This provision shall not apply to any

PA-3158  
Aircraft Performance Guarantees

**BOEING PROPRIETARY**

SA-7  
Page 1

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

Very truly yours,

THE BOEING COMPANY

\*\*\*

\*\*\*

ACCEPTED AND AGREED TO this

Date:

TAM Linhas Aereas S.A.

By

Its

TAM Linhas Aereas S.A.

By

Its

PA-3158  
Aircraft Performance Guarantees

**BOEING PROPRIETARY**

SA-7  
Page 1

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The Boeing Company  
 P.O. Box 3707  
 Seattle, WA 98124-2207

TPR-PA-3158-LA-1103768R1

TAM Linhas Aereas S.A.  
 Rua General Pantaleao Teles, 210  
 Sao Paulo - SP  
 04355-040  
 Brazil

Subject: Table 3 Aircraft Special Matters

Reference: Purchase Agreement No. PA-3158 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and TAM Linhas Aereas S.A. (**Customer**) relating to Model **777F** aircraft (**777F Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

- 1. [\*\*\*]
- 2. [\*\*\*]
- 3. [\*\*\*]
- 4. [\*\*\*]
- [\*\*\*]

1. Confidentiality

Boeing and Customer understand that the commercial and financial information contained in this Letter Agreement is considered by the parties as confidential (Confidential Information) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Letter Agreement and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Letter Agreement is required by applicable law, the party will so advise the other party promptly in writing and endeavor

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**BOEING PROPRIETARY**



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to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. This provision shall not apply to any Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

Very truly yours,

THE BOEING COMPANY

By David J. Hickey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: \_\_\_\_\_

TAM Linhas Aereas S.A.

By \_\_\_\_\_

Its \_\_\_\_\_

TAM Linhas Aereas S.A.

By \_\_\_\_\_

Its \_\_\_\_\_

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.  
PA 3158

Table 3 Aircraft Special Matters

SA-7 Page 2

**BOEING PROPRIETARY**



Attachment to Letter Agreement  
No. 6-1161-DJH-1298  
GE90-110B1L Engines  
Page 1

**MODEL 777 FREIGHTER PERFORMANCE GUARANTEES**

**FOR TAM LINHAS AEREAS S.A.**

| SECTION | CONTENTS                     |
|---------|------------------------------|
| 1       | AIRCRAFT MODEL APPLICABILITY |
| 2       | FLIGHT PERFORMANCE           |
| 3       | MANUFACTURER'S EMPTY WEIGHT  |
| 4       | AIRCRAFT CONFIGURATION       |
| 5       | GUARANTEE CONDITIONS         |
| 6       | GUARANTEE COMPLIANCE         |
| 7       | EXCLUSIVE GUARANTEES         |

P.A. No. 3158  
AERO-B-BBA4-M14-0074B

SS14-0059

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.





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**LATAM AIRLINES GROUP**

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**FORM 20-F**

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Page 1 of 1

Attachment to Letter Agreement  
No. 6-1161-DJH-1298  
GE90-110B1L Engines  
Page 2

1 [\*\*\*] [Information in this and the next three pages has been omitted]

P.A. No. 3158  
AERO-B-BBA4-M14-0074B

SS14-0059

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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AIRCRAFT CONFIGURATION – 777F Aircraft

between

THE BOEING COMPANY

and

TAM LINHAS AÉREAS S.A.

Exhibit A-4 to Purchase Agreement Number 3158

P.A. No. 3158

A-4

SA-07

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



AIRCRAFT CONFIGURATION

Dated

relating to

BOEING MODEL 777-F AIRCRAFT

[\*\*\*]

P.A. No. 3158

A1

SA-07

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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The Boeing Company  
P.O. Box 3707  
Seattle, WA 98124-2207

6-1161-DJH-1295

TAM Linhas Aereas S.A.  
Rua General Pantaleao Teles, 210  
Sao Paulo - SP  
04355-040  
Brazil

Subject: May 2017 777F Aircraft Model Substitution Rights

Reference: Purchase Agreement No. PA-3158 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and TAM Linhas Aereas S.A. (**Customer**) relating to Model 777 aircraft (**777F Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

[\*\*\*]:

1. Customer's Written Notice.

[\*\*\*]

2. Boeing's Production Capability.

2.1 Customer's substitution right is conditioned upon Boeing having production capability for the Substitute Aircraft in the same scheduled delivery month as [\*\*\*] Aircraft for which it will be substituted. Boeing will provide a written response to Customer's notice of intent indicating [\*\*\*].

2.2 If Boeing is unable to manufacture the Substitute Aircraft in the same scheduled delivery month as [\*\*\*] for which it will be substituted, then Boeing shall [\*\*\*] acceptance within thirty days of such offer.

2.3 All of Boeing's quoted delivery positions for Substitute Aircraft shall be considered preliminary until such time as the parties enter into a definitive agreement in accordance with paragraph 4 below.

3. Auxiliary Fuel Tanks (for 737MAX-9 Aircraft).

[\*\*\*]

PA-3158  
May 2017 777F Aircraft Model Substitution Rights

SA-7  
Page 1

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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4. Definitive Agreement.

Customer's substitution right and Boeing's obligation in this Letter Agreement are further conditioned upon Customer's and Boeing's executing a definitive agreement for the purchase of the Substitute Aircraft within thirty (30) days of Customer's receipt of a draft of such definitive agreement. Boeing shall provide Customer with a draft of the definitive agreement as soon as reasonably practicable following receipt of Customer's notice of intent or, as the case may be, Customer's acceptance of an alternative delivery month. The parties shall negotiate the definitive agreement in good faith.

5. Price and Advance Payments.

5.1 [\*\*\*].

6. Assignment.

[\*\*\*]

7. Confidential Treatment.

Boeing and Customer understand that the commercial and financial information contained in this Letter Agreement is considered by the parties as confidential (**Confidential Information**) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Letter Agreement and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Letter Agreement is required by applicable law, the party will so advise the other party promptly in writing and endeavor to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. This provision shall not apply to any Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

PA-3158  
May 2017 777F Aircraft Model Substitution Rights

SA-7  
Page 2

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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Very truly yours,

THE BOEING COMPANY

By David J. Hickey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: \_\_\_\_\_

TAM Linhas Aereas S.A.

By \_\_\_\_\_

Its \_\_\_\_\_

TAM Linhas Aereas S.A.

By \_\_\_\_\_

Its \_\_\_\_\_

PA-3158  
May 2017 777F Aircraft Model Substitution Rights

SA-7  
Page 3

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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The Boeing Company  
P.O. Box 3707  
Seattle, WA 98124-2207

TPR-PA-3158-LA-1103767R-1

TAM Linhas Aereas S.A.  
Rua General Pantaleao Teles, 210  
Sao Paulo - SP  
04355-040  
Brazil

Subject: Table 3 Aircraft Banded Fixed Escalation Program

Reference: Purchase Agreement No. PA-3158 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and TAM Linhas Aereas S.A. (**Customer**) relating to Model 777-300ER aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

[\* \* \*]

[The information in the next ten pages has been omitted].

TPR-PA-3158-LA-1103767R-1  
Escalation-Banded Fixed Program

**BOEING PROPRIETARY**

LA Page 1  
SA-7

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



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*David J. Hisey*

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TPR-PA-3158-LA-1103767R-1  
Escalation-Banded Fixed Program

**BOEING PROPRIETARY**

LA Page 2  
SA-7

“[ \* \* \* ]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.















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TPR-PA-3158-LA-1103767R-1  
Escalation-Banded Fixed Program

LA Page 8  
SA-7

**BOEING PROPRIETARY**

“[\* \* \*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



## EXHIBIT 8.1

## Subsidiaries

| <u>Legal Name</u>                                     | <u>Place of Incorporation</u> | <u>Doing Business As</u>      | <u>Ownership %<sup>1</sup></u>       |
|---|-------------------------------|-------------------------------|--------------------------------------|
| Lan Argentina S.A. A<br>Inmobiliaria Aeronáutica S.A. | Argentina                     | Lan Argentina<br>Inmobiliaria | 95%                                  |
| Inversiones Lan S.A                                   | Chile                         | Aeronáutica<br>Inverlan       | 100.00%<br>100%                      |
| Lan Cargo S.A   | Chile                         | Lar Cargo                     | 99.90%                               |
| Lan Pax Group S.A                                     | Chile                         | Lan Pax Group                 | 100.00%                              |
| Transporte Aéreo S.A                                  | Chile                         | Lan Express                   | 100%                                 |
| Aerolane, Líneas Aéreas Nacionales del Ecuador S.A    | Ecuador                       | Lan Ecuador                   | Voting: 55%<br>Non-Voting: 100%      |
| Aerotransporte Mas de Carga S.A.                      | Mexico                        | Mas Air                       | Non-Voting: 99%<br>Voting: 24.99%    |
| Lan Perú S.A  | Peru                          | Lan Peru                      | 70.00%                               |
| Lantours División Servicios Terrestres SA             | Chile                         | Lantours                      | 100.00%                              |
| Línea Aérea Carguera de Colombia S.A.                 | Colombia                      | LANCO                         | 90%                                  |
| Aerovías de Integración Regional S.A.                 | Colombia                      | Lan Colombia                  | 99.11%                               |
| TAM S.A   | Brazil                        | TAM                           | Non-Voting: 100.00%<br>Voting 19.42% |

<sup>1</sup> Percentage of equity owned by LATAM Airlines Group S.A. directly or indirectly through subsidiaries or affiliates



Exhibit 12.1

**CERTIFICATION**

I, Enrique Cueto Plaza, certify that:

1. I have reviewed this annual report on Form 20-F of LATAM Airlines Group S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 1, 2015

\_\_\_\_\_  
 /s/ Enrique Cueto Plaza  
 Enrique Cueto Plaza  
 CEO LATAM





**Exhibit 12.2**

**CERTIFICATION**

I, Andrés Osorio Hermansen, certify that:

1. I have reviewed this annual report on Form 20-F of LATAM Airlines Group S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 1, 2015

/s/ Andrés Osorio Hermansen  
Andrés Osorio Hermansen  
CFO LATAM



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**Exhibit 13.1**

**CERTIFICATION**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of LATAM Airlines Group S.A. ("**the Company**"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2014 (the "**Report**") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2015

*/s/ Enrique Cueto Plaza*

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Enrique Cueto Plaza  
CEO LATAM



**CERTIFICATION**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of LATAM Airlines Group S.A. (the **“Company”**), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2014 (the **“Report”**) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2015

\_\_\_\_\_  
/s/ Andrés Osorio Hermansen  
Andrés Osorio Hermansen  
CFO LATAM