LATAM AIRLINES

Integrated Report 2018

SUMMARY

Click on the buttons and browse the PDF.

Throughout the release, LATAM Airlines Group, LATAM, and Group are used as synonyms to indicate the whole of the operation. When the data refers to a specific company — such as LATAM Cargo — or affiliate, this information is specified for the reader.

PRESENTATION

This Integrated Report is yet another milestone in LATAM's path of constant evolution in its accountability to society. This edition covers the period from January 1 to December 31, 2018. It is based on the principles of integrated reporting from the International Integrated Reporting Council (IIRC) and on the guidelines of the Global Reporting Initiative (GRI) to offer a coherent representation of the relationships between the financial and non-financial information of the various dimensions of LATAM's business and its relations with the various stakeholders.

READING THE REPORT

There are six large blocks of information:

> Block 1 focuses on the institutional information: who the company is, where it operates, what its decision-making process is like, and how it integrates sustainability in its management day-to-day;

> Blocks 2, 3, and 4 cover the performance achieved throughout the year in the economic, environmental, and social dimensions. The organization follows the focus adopted by the Dow Jones Sustainability Index (DJSI);

> Block 5 includes technical data on the report—methodology used, external auditor's letter—a glossary of acronyms, and the Appendices section, with complementary information for readers who wish to gain a deeper understanding of specific topics;

> Block 6 deals with the Group's financial reports. LATAM Airlines Group and most of its affiliates maintain their accounting records and prepare their financial statements in U.S. dollars (USD). However, some of its affiliates maintain their accounting records and prepare their financial statements in Chilean pesos, Argentinean pesos, Colombian pesos, or Brazilian reals. In particular, TAM S.A. maintains its accounting records and prepares its financial statements in Brazilian reals. LATAM's audited consolidated financial statements include the results of these affiliates 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 the exchange rate of each transaction date, although a monthly rate may also be used if exchange rates do not vary widely.

SECTIONS

The **Appendices** section was one of the editorial resources adopted to counter the apparent contradiction between the commitment with conciseness and the need for a greater coverage of the information to meet the needs of different stakeholders. External links were also provided for additional relevant information.

Three specific sections contribute to this edition's objectivity:

Highlights: found at the beginning of the Report, with the most relevant events and numbers;

STRAIGHT TO THE POINT fact sheets on a range of key subjects. These are organized into three parts: Context and positioning, where the relevance of that topic for LATAM, the aviation sector, or society is reported; Topic management, with a focus on the Group, including opportunities and challenges; and 2018 Achievements, a compilation of the most recent actions and their results;

Snapshot historical series of the main indicators; there is one for each performance chapter in the economic, social, and environmental dimensions.

CONVENTIONS ADOPTED

> In this Integrated Report, various references are made to "LATAM". 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," "the Group", "Society", "we," "us" or the "Company" are to LATAM Airlines Group S.A. and its consolidated affiliates: Transporte Aéreo S.A. ("LATAM Airlines Chile"), LAN Perú S.A. ("LATAM Airlines Peru"), Aerolane, Líneas Aéreas Nacionales del Ecuador S.A. ("LATAM Airlines Ecuador"), LAN Argentina S.A. ("LATAM Airlines Argentina," previously Aero 2000 S.A.), Aerovías de Integración Regional, Aires S.A. ("LATAM Airlines Colombia"), TAM S.A. ("TAM" or "LATAM Airlines Brazil"), LAN Cargo S.A. ("LATAM Cargo") and its two regional affiliates: Linea Aerea Carguera de Colombia S.A. ("LANCO") in Colombia and Aerolinhas Brasileiras S.A. ("ABSA") in Brazil. In November 2018, LATAM Airlines Group sold its stake in its Mexican cargo affiliate Aero Transportes Mas de Carga S.A. de C.V. ("MasAir").

Other references to "LATAM", as the context may require, are to the LATAM brand, which was launched in 2016 and brings together, under one internationally recognized name, all the affiliate brands, such as LATAM Airlines Chile, LATAM Airlines Peru, LATAM Airlines Argentina, LATAM Airlines Colombia, LATAM Airlines Ecuador, and LATAM Airlines Brazil.

> References to "LAN" are to LAN Airlines S.A., currently known as LATAM Airlines Group S.A., and its consolidated affiliates, in connection with circumstances and facts occurring prior to the completion date of the combination between LAN Airlines S.A. and TAM S.A.

> In this Integrated Report, unless the context otherwise requires, references to "TAM" are to TAM S.A., and its consolidated affiliates, including TAM Linhas Aereas S.A. ("TLA"), which does business under the name "LATAM Airlines Brazil", Multiplus S.A. ("Multiplus"), Fidelidade Viagens e Turismo Limited ("TAM Viagens") and Transportes Aéreos Del Mercosur S.A. ("TAM Mercosur").

> Throughout the text, the **GRI indicators** are included in brackets. This content may also be found through the GRI Content Summary, located in the block at the end of the report.

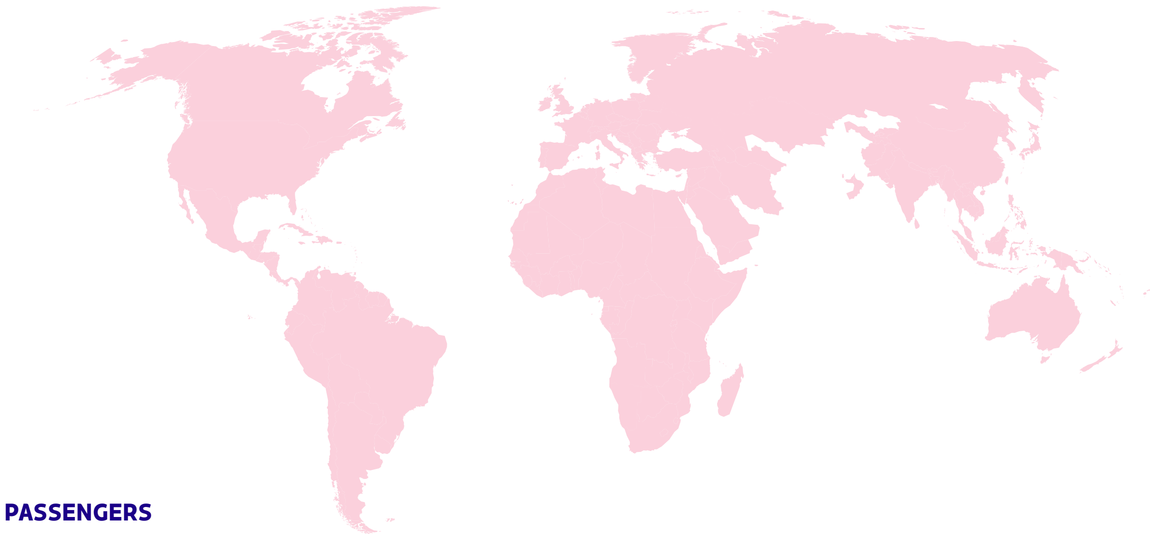
If you have any suggestions, comments, or questions regarding the report, please email investor-relations@LATAM.com or sostenibilidad@LATAM.com. [102-53]

Enjoy your reading!

Highlights 2018

NETWORK

LATAM connects people and destinations on all five continents.



PASSENGERS

> **143** destinations
> **26** countries
> **148** shared codes
> **68.8 million** passengers transported

83.1% | +5.0%[1] | +2.9%[1]

CARGO

> **150** destinations
> **29** countries
> **921 thousand** tons transported

55.1% | +4.7%[1] | +3.0%[1]

Load factor
Capacity (Passenger: ASK; Cargo: ATK)
Consolidated traffic (Passenger: RPK; Cargo: RTK)

1 Compared to 2017.
ASK: available seat-kilometers.
ATK: available ton-kilometers.
RPK: revenue passenger-kilometers.
RTK: revenue ton-kilometers.

CUSTOMER FOCUS

US$400 million will be invested in transforming the cabins of over two thirds of the fleet.

Chosen as the **most punctual airline group** in the Mega Airlines[1] category.

Fourth largest loyalty program in the world, with over **30 million** members.

1 Source: OAG (Official Airline Guide). Considering the 20 largest airlines in the world in number of flights per year. On-time performance: 85.6% (delays of up to 15 minutes).

MORE AUTONOMY AND COMFORT

> New functions in the LATAM app.
> Use of biometrics to speed up the boarding process.
> Over one thousand self-check-in kiosks at the airports.
> Entertainment: LATAM Play platform available for smartphones, tablets, or laptops.

SECURITY

75% lower rate of accidents on land than the sector average.

9.7% decrease in the rate of labor accidents on land; accrued decrease of 53.5% in the last five years.

Highlights 2018

WHO MAKES LATAM

Over **41 thousand** employees from **61** nationalities.

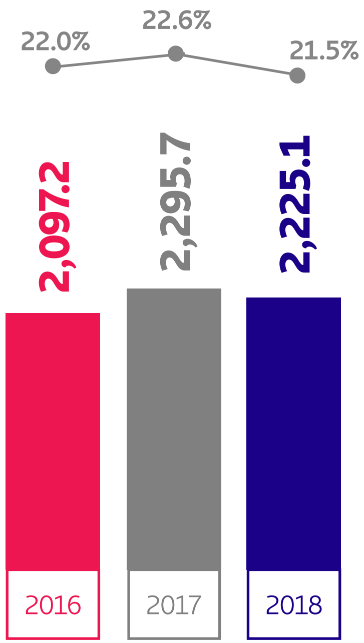
TRAINING

1.4 million hours of training
(an average of 35 hours per employee)

Over **US$23 million** invested

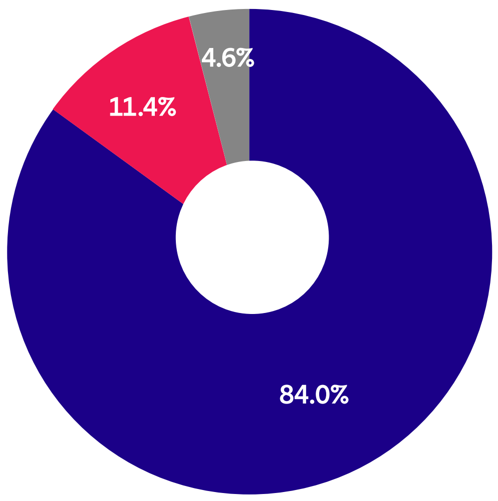
EFFICIENCY AND PERFORMANCE

EBITDAR (US$ million)



EBITDAR earnings before interest, tax, depreciation, amortization, and aircraft rentals.

2018 REVENUES



TOTAL US$10.36 BILLION

- Passengers
- Cargo
- Others

US$182 million
in net profit

17%
increase compared to 2017

That was the highest result in the history of LATAM Group.

Highlights 2018

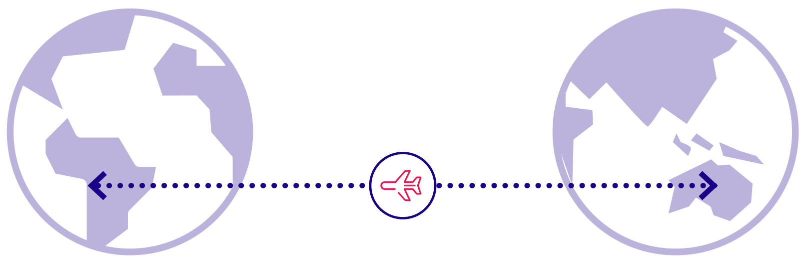
CLIMATE CHANGE

Consumption of over **55 million** gallons of fuel prevented

Enough to supply all the LATAM round trip flights connecting Chile and Oceania for over 20 months.[1]

US$137.3 million in savings

356,492 t CO_2e of emissions compensated



1 Considering flights on Boeing 787: five weekly frequencies on the SCL-MEL-SCL route and seven weekly frequencies on the SCL-AUK-SCL/AUK-SYD-AUK route.

SUSTAINABILITY

Fifth consecutive year included in the World category of the **Dow Jones Sustainability Index** (DJSI). LATAM is the only airline in America that is included in this index.

It contributed to the achievement of the targets related to the **Sustainable Development Goals** (SDG), the global agenda proposed by the United Nations Organization.

COMMITMENT TO THE REGION

CUIDO MI DESTINO

Sustainable tourism actions focused on:

Enterprising spirit and **job** creation

Preservation of the region's **heritage**

Care of the environment

PHILANTHROPY AND CORPORATE CITIZENSHIP

4,606 air tickets donated

4,817 hours of volunteer work

MESSAGE FROM THE CEO [102-14]

Enrique Cueto
CEO LATAM Airlines Group

At LATAM, our ambitions fly high, but it is only with strong steps and concrete actions that we move forward to achieve them. This is how we have carried out the transformation process that reinforces the Group's leadership in the region and ensures long-term sustainability. In 2018, we have focused on customers, on becoming the largest and best destination network in the continent, and on fostering a streamlined and competitive internal structure. We follow these guidelines in an industry where the only constant is change.

One of the steps with the greatest impact for our customers was segmenting fares and services on international routes, as we had already done a year earlier on domestic flights in the different markets. Our passengers choose the services they wish to pay for in a sales model that expands access to air transportation to different profiles and to an increasing number of people.

This year was historical in terms of connectivity: we launched seven new destinations, among which Tel Aviv (Israel) takes center stage, as it made LATAM the only airline group in Latin America with operations on all five continents. Moreover, we made progress on the processes for the approval of the Joint Business Agreements (JBAs) with American Airlines and IAG (British Airways and Iberia). Our goal is to start to put into practice a part of the agreements as of 2019, and thus offer our passengers even more options of direct flights and with lower connection times.

We remain committed to operating excellence. Our focus on punctuality bore fruits in 2018, with an important external acknowledgement in the ranking from the Official Airline Guide (OAG), which marked us as leaders in the large airlines category, with an 85.6% index. However, we are not satisfied with this. We know that our customers' time is priceless, and we work day to day to meet and exceed passengers' expectations.

Thinking of offering the best travel experience to our passengers, we announced a record investment of US$400 million to transform the cabins of over two thirds of our fleet as of 2019. The investment changes the on-board experience and establishes a segmentation to match the different expectations and needs. In addition, to offer an increased amount of self-managed travel, we bolstered our bet on technologies that bring greater autonomy to customers from the purchase to the moment of landing. New resources were added to the LATAM app, such as the augmented reality tool that confirms whether carry-on baggage is within the limits allowed on board.

As a result of the business' transformation over the last few years, with a lighter, more efficient, and more productive organizational structure, we managed to maintain a sound financial position in 2018, despite the challenging regional outlook. Among these challenges, we find the devaluation of the Brazilian real and the Argentinian peso, as well as the increase in jet fuel prices—our main input.

We ended the year with an operating profit of US$705 million and an operating margin of 6.8%, similar to the 2017 performance. Despite the variation in fuel prices, which increased our costs by US$664 million throughout the year, net profit rose 17% to US$182 million, the highest result achieved by LATAM Group since the combination of LAN and TAM. In 2017, this indicator settled at US$155 million. Seeking to maintain a healthy liquidity level, our cash flow after investments settled at more than US$1.15 billion, whereas our debt level decreased to 4.3x.

The year was a landmark for connectivity. We launched 28 new routes and reached Asia.

We also made progress in all other aspects of our integrated management, a version covering, in a balanced manner, the economic, social, and environmental dimensions, and to share value with the various stakeholders linked to LATAM.

Within the environmental segment, one of the most important goals is the decrease of the carbon footprint through actions to achieve efficiency in fuel use. The systematic work in which the various departments of the Group participate ensures consistent results year after year. From 2012 to 2018, we reduced the use of fuel, measured in liters/RTK[1], by 16%. In this year alone, we prevented the emission of 526 thousand tons of greenhouse gases and saved US$137.3 million in fuel expenditures.

In the social segment, we acted as a catalyst for actions that promote the socioeconomic well-being and development of the regions where we operate. Our projects are centered around the issues where, given the nature of our business, we can foster real transformations: sustainable tourism and the use of our logistics capacity to support health and humanitarian aid initiatives. An important social progress this year was the work carried out in the field of human rights, through the drafting of a corporate statement on the matter, and the definition of the analysis and management processes for specific risks throughout the operation.

Through these projects and actions, we reiterate our commitment with the United Nation's Global Compact and put into practice the ten principles that comprise that document. Throughout the year, we started the systematization of LATAM's contributions to another UN initiative: The Sustainable Development Goals (SDG), a global development agenda that we have supported since 2015 and that defines targets for 2030.

We progressed in our integrated management, which covers the economic, social, and environmental dimensions of the business.

This transversal vision of the business is essential for the sustainable development that we wish to consolidate in time, and it makes us stand out as a Group. In 2018, for the fifth consecutive year, we entered the World category of the Dow Jones Sustainability Index (DJSI). We are the only airline group in the American continent that is included in this index.

The progress and achievements of 2018 were possible solely thanks to the commitment of LATAM's team and the trust invested in us by our shareholders. In particular, I wish to acknowledge the ongoing commitment of all our employees in each country where the Group operates, people who face the challenges of a growing and changing industry with excellence and dedication day after day, and who provide the visible face of our values to our customers. Over the next few years, we will remain motivated to keep following that trend of value generation shared with our shareholders and investors, employees, clients, suppliers, and society.

Enrique Cueto
CEO LATAM Airlines Group

WHO WE ARE

PROFILE AND STRATEGY

[102-1, 102-2, 102-6 and 102-7]

LATAM Airlines is the main airline group in Latin America and one of the largest in the world. It has the largest and best network in South America, adapted to different customer profiles in the passenger—domestic and international—and cargo businesses. The Group's headquarters are in Chile and it has over 41 thousand employees from 61 nationalities.

In late 2018, the passenger transportation service of the Group's companies covered 143 destinations in 26 countries, with operations in the domestic markets of Argentina, Brazil, Chile, Colombia, Ecuador, and Peru, regional flights in South America, and long-haul flights to all five continents. The Asian continent was added to the network towards yearend, with the launch of the Santiago (Chile) – Guarulhos (Brazil) – Tel Aviv (Israel) route — the only direct flight between Latin America and Israel. Cargo transportation covers 29 countries with 150 destinations.

LATAM's stocks are traded on the Santiago (Chile) and New York (US) stock exchanges. LATAM is the only airline group in America and one of the three in the world included in the Dow Jones Sustainability Index under the World category. The year 2018 was the fifth consecutive year in which LATAM was included in the index.

To learn more:

> Legal incorporation and company purpose: Page 115;
> Physical structure (property, plants, and equipment): Page 115;
> Participation in DJSI: Page 53;
> Company overview: Page 115.

BUSINESS STRATEGY

Five pillars guide the company's actions, focused on the business' long-term sustainability:

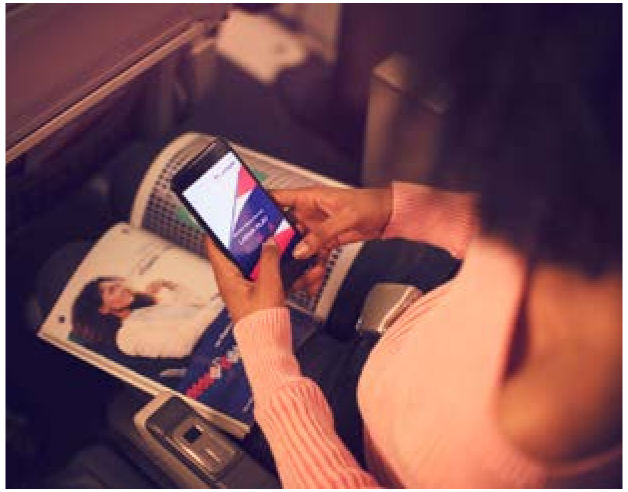
> **Commercial and network development:** airfare segmentation, ancillary and cargo revenues, connectivity improvement in the region, and establishment of strategic allegiances with other airlines;
> **Operations and fleet:** operating efficiency and cost Competitiveness;
> **Customers:** improving customer experience;
> **Finance:** financial strength and better results;
> **Organizational strength:** simpler and faster decision-making organization.

The pillars drive transversal initiatives to strengthen the company, contribute to growth in demand for air transportation in Latin America, connectivity, and the region's development, and ensure an efficient operation focused on the client. The integrated vision of the businesses makes the Group more resilient to the macroeconomic environment and its competition. [+] Financial results.

In the last few years, the development of organizational strength, for instance, has led to the elimination of duplication between the corporate structure and its affiliates, and to the standardization of processes, with positive cost-reduction effects and increased competitiveness.

Focused on customers, LATAM has been consolidating important initiatives, such as the new sales model, which enables passengers to customize their flight experience, and the Group to increase the generation of ancillary revenue and boost air traffic. The cabin renewal, announced in 2018, aims to improve the experience of passengers who require greater comfort, particularly on long-haul flights, and to offer a product with competitive rates. Moreover, it will enable LATAM to increase to offer of seats on over two thirds of the aircrafts.

Simultaneously, the Group continues to make progress on other measures to empower passengers and improve their experience with the brand, such as digital development, airport investments (self *check-in* and *self bag tag*), and on-board entertainment (LATAM Play). **[+]** Customers



CONNECTIVITY IN PRACTICE

Connectivity means flying to more destinations, more frequently, and with a greater range of connections. LATAM indicators show those differences.

> In nearly half of its total capacity, measured in ASK[1], LATAM is the leader in frequency compared to all other airlines operating the same routes.

> Through the wide network of destinations, strategic *hubs*, and alliances with other airlines, the Group is able to offer flights — direct, with stopovers, or connections — to 87% of all the national and international routes sought by the travelers of the countries where it operates[2].

> LATAM's flights are the best route alternative for nearly a third of the passengers traveling between points connected by LATAM and/or its alliances, either given their greater frequency, the existence of direct flights, or more suitable routes (shorter or with fewer connections)[3].

[1]**ASK:** Available Seat Kilometer — number of seats available multiplied by the distance flown.

[2]**Including** all commercial flights performed from the countries of operation in the second half of 2018, and LATAM's offer of destinations in the same period.

[3]**Survey** carried out from January to July 2018; including data of origin-destination operated in the six markets.

UNIFYING THE EXPERIENCE

In 2018, the sales and booking systems were merged into a single platform, available to all customers regardless of the travel route or flight code. Formerly, there was a system for flights operated by LATAM Airlines Brazil and LATAM Airlines Paraguay, and another for flights operated by LATAM Airlines Chile, LATAM Airlines Peru, LATAM Airlines Colombia, LATAM Airlines Argentina, and LATAM Airlines Ecuador. For customers, the change implies greater ease in managing their trip and a standardized experience. Flight codes were also updated: LATAM routes are now identified with the code LA, except for those connecting Brazil and the US, whose identification remains JJ.

The integration of the systems took three years of planning and preparation, which served to ensure a safe process without affecting the operation. First, the ticket sales systems were migrated to a single platform, and then, the *check-in* system of all the airports was migrated. This stage meant the updating of over 3,000 flights and 5 million tickets, and it deployed 5 thousand professionals. In the early days following the change, a monitoring service was set up comprising 200 employees who took shifts throughout the 24 hours of every day of the week to monitor the process. Passengers were kept permanently informed through the Group's contact channels: *Email, social media, institutional website, SMS, and press releases*.

GREATER CONNECTIVITY

The broad destination network is another of LATAM's distinguishing elements. To strengthen it, the Group makes continuous investments in its network — it launched seven new destinations in 2018 — and forms alliances with other carriers to expand its offer for passengers.

Together with 12 other airlines, the Group is part of the **one**world® alliance, which offers a global circuit of routes covering over 1,000 destinations in over 160 countries.

A significant milestone was the progress made in the process for the approval of two joint business agreements (JBAs) between LATAM and American Airlines and LATAM and International Airlines Group (IAG), which controls European airlines British Airways and Iberia. Should they be approved by the corresponding authorities, these JBAs will imply a leap in connectivity for the region, enabling access to 420 destinations.

Both agreements were approved by the Chilean antitrust court (*Tribunal de Defensa de la Libre Competencia* or TDLC) during 2018, with nine mitigation measures. The TDLC's decision was appealed by third parties and is still pending a decision at the Chilean Supreme Court. Still, it was possible to move forward with the process to obtain the approval of the authorities, with Chile added to the authorizations previously obtained in Brazil, Colombia, and Uruguay. Moreover, in 2018, the Brazilian government ratified the Open Skies agreement between Brazil and the US — an essential step to allow the execution of the JBA between LATAM and American Airlines. Approval from the US Department of Transportation remains pending.

The JBAs, which are already a fact in other regions of the world, imply no changes in the stockholding of the companies involved, and they don't affect the competitive environment. Through them, the parties join forces and share the opportunities generated through the integrated vision of their destination networks. In this aspect, mainly, JBAs are different from alliances and code-sharing agreements: it is not a matter of offering seats on certain flights, but of opening to clients every possibility of the networks involved. For passengers, the direct and immediate effects would be: more options — direct flights, shorter connection times — flexibility, and autonomy in their choices. Another advantage is the possibility of trading miles or points accrued under the loyalty program of one airline for tickets from another airline.

Indirectly, customers will also benefit from the synergy that JBAs allow in the network management, such as: the inclusion of lower traffic destinations, which would be unviable for individual operation; customization of the offer for different customer profiles; business optimization; and more competitive pricing.

HUBS

As LATAM Group expands its destination network throughout Latin America and from the continent to the rest of the world, hubs' relevance for the business increases. Hubs are found in large airports — Guarulhos (Brazil), Lima (Peru), and Santiago (Chile) — as well as in strategic airports for business travelers — such as Congonhas (Brazil) — which offer a wide network of connections.

VISUAL IDENTITY

IN 2018, THE LATAM BRAND WAS IMPLEMENTED ON MORE HANGARS AND BUILDINGS, REACHING 95%. THE MAINTENANCE HANGARS OF SANTIAGO (CHILE) AND MIAMI (US) ARE STILL PENDING. THE BRANDING HAS ALREADY BEEN IMPLEMENTED ON 25% OF THE AIRCRAFTS, AND SHOULD REACH 48% BY THE END OF 2019.

Value generation model

The initiatives to share value integrate the strategic vision of the business.

To materialize its business, LATAM uses **capitals** of various natures and, through its **activities**, transforms those inputs into **results** and **effects**.
The results are the most visible aspect of the operation, the materialization of the work, but the company's main value delivery lies in its ability to generate lasting positive effects.

INPUTS

Human capital
Employees

Manufactured capital
Fleet | Maintenance bases | Hangars

Intellectual capital
Knowledge of the region and the business | Operating licenses and slot rights at airports | management systems (environmental; safety) | Analytics (customization of customers' experience)

Social and relations capital
Loyalty programs | LATAM Brand | Relations with authorities and the sector | Corporate citizenship actions

Financial capital
Revenues | Capital | Assets

Natural capital
Jet fuel

RESULTS

- Broad destinations network
- Financial results
- Diversity in customer base
- Operating excellence
- Organizational health and development opportunities

IMPACTS

- Value proposal focused on the customer
- Connectivity
- Security
- Ecoefficiency
- Commitment to the region
- Strategic debate

See more details on the following page.

Graphic representation prepared based on the guidelines of the IIRC's Integrated Report; it considers the main elements included in LATAM's business and operations model.

Value delivery

Timeline

For nearly 90 years, LATAM has been connecting people and destinations. Find out the main milestones in that history.

1929
Linea Aerea Nacional de Chile (LAN) founded by Comandante Arturo Merino Benítez.

1946
First LAN international flight: Santiago (Chile) – Buenos Aires (Argentina).

1956
Start of LAN services to Lima (Peru).

1958
Start of LAN services to Miami (United States).

1961
TAM – Taxi Aéreo Marília created by five charter flight pilots.

1970
LAN begins flights to Europe.

1975
Foundation of TAM – Transportes Aéreos Regionais by capitan Rolim Adolfo Amaro.

1976
Launch of TAM services in brazilian cities, especially Mato Grosso and São Paulo.

1983
Constitution of Linea Aerea Nacional – Chile Limitada, through CORFO.

1985
LAN becomes a joint stock company.

1986
TAM acquired Brasil Central Linhas Aéreas VOTEC, a regional airline that served the North and Central West regions of Brazil.

1989
Start of privatization of LAN: the Chilean government sells a 51% stake to local investors and Scandinavian Airlines System (SAS).

1990
Brasil Central renamed TAM – Transportes Aéreos Meridonais.

1993
Launch by TAM of TAM Fidelidade, Brazil's first frequent flyer program.

1994
Privatization of LAN completed with the acquisition of a 98.7% stake by its current controllers and other shareholders.

1996
Acquisition by TAM of Lapsa Airline from the Paraguayan government and creation of TAM Mercosur.

Start of São Paulo (Brazil) – Asuncion (Argentina) flights.

1997
LAN lists on the New York Stock Exchange, becoming the first Latin American airline to trade ADRs on this important market.

1998
Arrival of first A330; first TAM international flight from São Paulo (Brazil) to Miami (United States).

1999
LAN's expansion begins: start of operations of LAN Perú.

2000
LAN joins the **one**world® alliance.

2001
LAN Alliance with Iberia and inauguration of Miami (United States) cargo terminal.

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

2002
LAN Alliance with Qantas and Lufthansa Cargo.

2003
LAN continues its expansion plan: start of operations of LAN Ecuador.

2004
Launch of the new executive class for flights to Paris (France) and Miami (United States).

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

Start of TAM flights to Santiago (Chile)

2005
Further step in LAN's regional expansion plan: start of operations of LAN Argentina.

TAM S.A. lists on the Bovespa Stock Market.

Start of flights to New York and Buenos Aires.

2006
Start of flights to London (United Kingdom) and, through agreement with Air France, to Zurich and Geneva (Switzerland).

Launch of new LAN Premium Business Class.

TAM S.A. lists on the NYSE.

2007
Start of TAM flights to Milan (Italy) and Córdoba (Spain).

Authorization from Brazil's National Civil Aviation Agency (ANAC) to start flights to Madrid (Spain) and Frankfurt (Germany).

Implementation of low-cost model in domestic markets.

Capital increase of US$320 million.

2008

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

TAM receives its first Boeing 777-300ER.

2009

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

Launch of Multiplus Fidelidade.

2010

Acquisition of Colombia's Aires airline.

TAM officially joins Star Alliance.

2011

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

2012

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

Issuance of 2.9 million shares.

2013

Capital increase for US$940.5 million

2014

TAM joins **one**world® alliance, which becomes LATAM Airlines Group global alliance.

LATAM launches its 2015-2018 Strategic Plan.

2015

LATAM is born: the New Brand for LAN Airlines, TAM Airlines and Affiliates.

EETC structured bond issue for MMUS$ 1,020: first in Latin America.

2016

Capital increase of US$608 million with which Qatar Airways acquires 9.99% of the total of paid and subscribed shares of LATAM.

2017

Implementation of the new travel model by the affiliates of the domestic markets.

2018

Inauguration of the first flight to Asia: Guarulhos (Brazil) – Tel Aviv (Israel).

New sales model comes to international flights.

MODERN FLEET

LATAM and its affiliates operate with 312 planes, including the most modern models in their categories, and their fleet age averages 8.9 years. On domestic and regional flights in Latin America, it operates mainly with aircraft from the Airbus A320 family (A319, A320, A321, and A320-Neo models). On international long-haul flights, the fleet operates using Airbus and Boeing aircrafts, including the A350-900 and Boeing 787 Dreamline models, which are a global benchmark of fuel efficiency, and reduction of greenhouse gas emissions and noise. At LATAM Cargo, the operation combines cargo space in the passenger aircrafts and a cargo fleet comprising nine Boeing 767 airplanes.

During 2018, LATAM retired five airplanes of the older models and added two Airbus A350-900 airplanes and two Airbus A321 planes. LATAM is already operating four Airbus A320-Neo model planes and expects to increase them to 13 in 2019. This model consumes 15% less fuel and generates 50% less noise than the equivalent model of the previous generation.

MAINTENANCE

LATAM has heavy maintenance, line maintenance, and components facilities, equipped and certified to service the Boeing and Airbus fleet. Two Maintenance, Repair, and Operation (MRO) bases are responsible for the major maintenance of the Group's airplanes, in addition to servicing third parties on occasion. MROs are also in charge of planning and executing aircraft returns, in compliance with the Group's fleet plan.

In Chile, the base is located near the Santiago International Airport. It has the capacity to simultaneously service two narrow body and one wide body airplanes, and has auxiliary spaces, where activities to adapt cabin interiors, including installing the entertainment systems, are carried out.

In Brazil, the maintenance base is located in São Carlos, within São Paulo, and it can service up to eight airplanes at the same time. The unit also has over 30 warehouses for technical components, a hangar for stripping and painting, and a support engineering area, among others.

LATAM's two MRO bases performed 388 maintenance services, which translates into 78% total maintenance of the fleet throughout the year; the remainder was up to external suppliers. The services performed on the company's own units totaled 1.13 million man-hours worked.

The line maintenance network includes a series of automated and integrated services that ensure the compliance with all safety requirements and local and international regulations. There are line maintenance units at LATAM's hangars in Santiago (Chile); São Carlos, Congonhas/São Paulo, and Brasilia (Brazil); Lima (Peru); Aeroparque/Buenos Aires (Argentina); and Miami (USA), among others.

AT DECEMBER 31, 2018

	Off balance	On balance	Total
OPERATING FLEET			
Passenger fleet			
Airbus A319-100	9	37	46
Airbus A320-200	34	92	126
Airbus A320-Neo	3	1	4
Airbus A321-200	19	30	49
Airbus A350-900	3	4	7
Boeing 767-300 ER	2	33	35
Boeing 777-300 ER	6	4	10
Boeing 787-8	4	6	10
Boeing 787-9	10	4	14
Total	**90**	**211**	**301**
Cargo fleet			
Boeing 767-300F	1	8	9
Total	1	8	9
Leases (short term)			
Boeing 777-200	2	0	2
Total	-	2	2
Total operating fleet	**93**	**219**	**312**
SUBLEASES			
Airbus A320-200	-	5	5
Airbus A350-900	1	1	2
Boeing 767-300F	-	1	1
Total subleases	**1**	**7**	**8**
TOTAL FLEET	**94**	**226**	**320**

The full description of the aircraft models comprising LATAM's fleet is available in the Appendices.

OPERATIONS

INTERNATIONAL MARKET

LATAM Group's international passenger operation covers regional flights between South and Central America and long-haul flights to all regions worldwide. The Group ended 2018 serving 32 international destinations in 26 countries. On average, that's 192 regional flights and 75 long-haul flights per day.

In the annual consolidated figure, the international passenger business represented 46% of the Group's total revenues and 55% of the passenger revenues. Overall, 16.5 million people chose LATAM to travel to various international destinations. The result is 2.5% higher than the figure reported in 2017, when the Group transported 16.1 million people on international flights. Passenger demand, measured in RPK (Revenue Passenger Kilometers, equivalent to the number of paid passengers transported times the distance flown), increased 3.0% compared to 2017. Offer, measured in ASK, grew 6.1% in the period. The result affected LATAM's load factor on international flights, which translated into 84.3%, a 2.5 percentage point reduction between 2017 and 2018.

In the regional market, LATAM Group operates in 13 countries, being the leader in the region, with a 43% market share, followed by its competition Avianca (18%), Aerolíneas Argentinas (8%), and Gol (8%). In 2018, 28 new routes were launched and another 12 were announced for 2019.

LATAM Group also operates long-haul routes to 13 countries. In 2018, important flights were launched, such as those carrying passengers from Guarulhos (Brazil) to Rome (Italy), Lisbon (Portugal), and Boston and Las Vegas (US), as well as the Santiago (Chile) – Guarulhos (Brazil) – Tel Aviv (Israel) route. The Fortaleza (Brazil) to Orlando (US) and Salvador (Brazil) to Miami (US) routes were also launched. Another novelty was the increased flight frequency between Santiago (Chile) and Melbourne (Australia), which is now offered every day of the week.

POWER TO CHOOSE
THE NEW SALES MODEL, WHERE PASSENGERS CHOOSE AMONG FOUR FARES (PROMO, LIGHT, PLUS, AND TOP) AND CHOOSE THE SERVICES AND CONDITIONS THEY DESIRE, WAS EXPANDED TO ALL INTERNATIONAL FLIGHTS IN 2018.

DOMESTIC MARKET

The domestic passenger operation encompasses domestic flights by LATAM Argentina, LATAM Brazil, LATAM Chile, LATAM Colombia, LATAM Ecuador, and LATAM Peru, totaling 1,036 flights per day. The Group is the market leader in Chile and Peru, with a 64% market share in each. In Argentina, Brazil, and Colombia, it is the second largest airline; in Ecuador, the third. In Brazil, the largest market in South America and one of the main markets in the world, LATAM has operations in 45 airports of 42 cities, totaling an average of 560 daily domestic flights.

LATAM Group operates at 69 airports in Spanish-speaking countries, covering the most destinations in Peru (19 cities).

As in the international market, LATAM also invests in expanding the domestic destination network, in line with the commitment to boost economic development and tourist potential of the regions.

An example was the start of operations at Pisco, Peru. In 2019, direct flights will be launched with the aim to make it easier for tourists to travel among the various regions of the country. While passengers were formerly always compelled to return to the capital, Lima, as of 2019, they will be able to take direct flights from Cusco to the cities of Pisco and Iquitos.

In 2018, the domestic passenger operation stood for 38% of LATAM's total revenues, and 45% of passenger revenues. LATAM transported 52.3 million people on its domestic flights, which is 2.5% higher than in 2017.

In the domestic market, on average, passenger demand measured in RPK, grew 2.8% vs. 2017, and the offer, measured in ASK, grew 3.6%. Load factor was 81.5%, with a 0.7 percentage-point decrease compared to the previous year.

LATAM GROUP TRANSPORTED 52.3 MILLION PASSENGERS IN THE SIX DOMESTIC MARKETS WHERE IT OPERATES.

LATAM CARGO

LATAM Cargo is the largest air cargo carrier group in Latin America, totaling 150 destinations in 29 countries. In addition to all the destinations that LATAM operates through its passenger service, LATAM Cargo also has an exclusive cargo network with seven destinations—five in the Americas and two in Europe.

In 2018, revenues from cargo transportation increased 6.0% compared to the previous year, representing 11% of LATAM's total revenues. Cargo capacity rose 4.3% while load factor ended the year at 55.1%, 0.2 points higher compared to 2017. LATAM Cargo served around 5 thousand customers, transporting 921 thousand tons of cargo; 65% in passenger planes, and 35% in the nine dedicated cargo planes in its fleet. The belly strategy, which makes use of the available cargo space in passenger aircraft, was one of the highlights of the year.

The use of the *flex* format among customers was also consolidated. The option is ideal to serve the so-called non-critical shipments, as LATAM Cargo guarantees the delivery time, but has the autonomy to define the route and type of aircraft used as transport, which reduces operating costs and makes the price of the service more competitive. Within LATAM Cargo's portfolio, there are also two other shipping options—standard and express—and care options, with customized treatment based on the type of cargo: from live animals, flowers, and pharmaceuticals to high volume freights and high value merchandise.

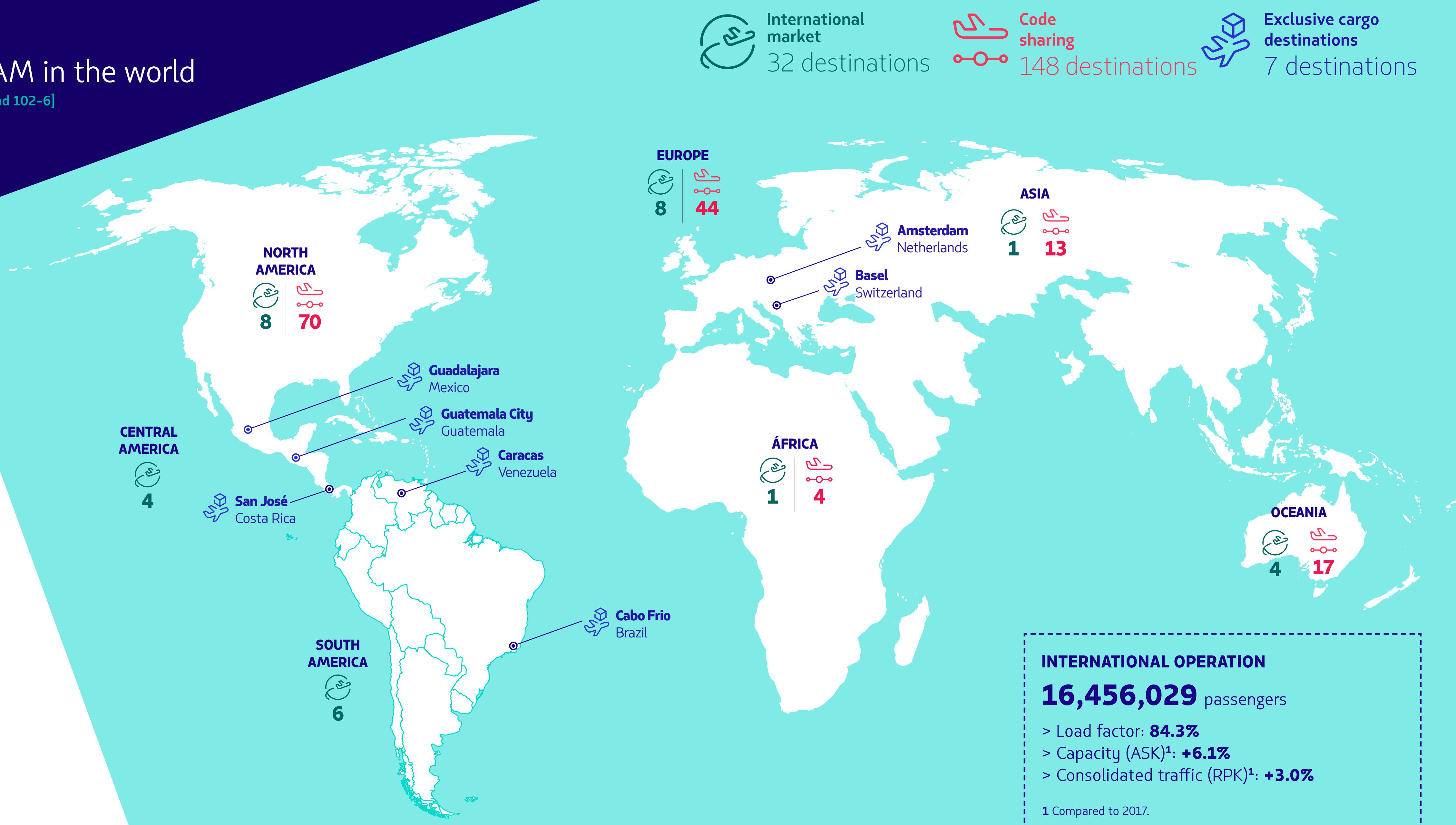
Improving LATAM Cargo's operating capacity to serve high volumes, especially for customers in the *e-commerce* segment, is part of the future investments. Another project for the next two years prioritizes the perfecting of the cooling system at every stage of the transportation of perishable cargo. As the joint venture agreements (JBA) with American Airlines and IAG will also be valid for cargo transportation, it is expected that, once they are in force, they will boost LATAM Cargo's connectivity, which could expand its destination network and the number of clients.

PHARMACEUTICAL PRODUCTS

LATAM Cargo was a pioneer in the Americas in getting certified under the Center of Excellence of Independent Validators (CEIV Pharma) program from the International Air Transport Association (IATA). Currently, six routes have been certified, including the certification of LATAM itself, and of two origin and destination terminals. The Group's cargo terminal in Miami (US) has also been certified.

LATAM in the world

[102-4 and 102-6]



INTERNATIONAL OPERATION

16,456,029 passengers

> Load factor: **84.3%**
> Capacity (ASK)[1]: **+6.1%**
> Consolidated traffic (RPK)[1]: **+3.0%**

1 Compared to 2017.

Domestic market

[102-4 and 102-6]

LATAM Airlines Colombia

14 domestic destinations

5,054,154 passengers[1]

Load factor	82.0%	Consolidated traffic	+5% RPK
Market share	22%	Capacity	+6% ASK

Main competitors: Avianca, Viva Colombia and Satena

LATAM Airlines Brasil

43 domestic destinations

28,422,391 passengers[1]

Load factor	81.2%	Consolidated traffic	+2% RPK
Market share	31%	Capacity	+4% ASK

Main competitors: GOL, Azul and Avianca Brasil

LATAM Airlines Ecuador

5 domestic destinations

1,185,765 passengers[1]

Load factor	81.2%	Consolidated traffic	+10% RPK
Market share	31%	Capacity	+13% ASK

Main competitors: TAME and Avianca

LATAM Airlines Perú

19 domestic destinations

7,343,037 passengers[1]

Load factor	82.6%	Consolidated traffic	+9% RPK
Market share	64%	Capacity	+9% ASK

Main competitors: Peruvian, Viva Air and Avianca

LATAM Airlines Argentina

13 domestic destinations

2,379,934 passengers[1]

Load factor	81.2%	Consolidated traffic	-5% RPK
Market share	18%	Capacity	-6% ASK

Main competitors: Aerolíneas Argentinas, Flybondi and Norwegian

LATAM Airlines Chile

17 domestic destinations

7,964,835 passengers[1]

Load factor	81.9%	Consolidated traffic	+4% RPK
Market share	64%	Capacity	+3% ASK

Main competitors: Sky and JetSmart

Load factor

Market share

Consolidated traffic[2]

Capacity[2]

Main competitors

DOMESTIC OPERATION

52,350,116 passengers[1] **113 domestic destinations**

Load factor	Consolidated traffic	Capacity
81.5%	+2.8% RPK	+3.6% ASK

1 Total transported by the affiliate.
2 Compared to 2017.

FREQUENT FLYER PROGRAM [102-2]

Frequent flyer programs aim to acknowledge the loyalty of those passengers who use LATAM's airlines most, with various benefits and rewards, for which people must register as members. This is how airlines can thank their clients for their business, which makes it a highly valued attribute among passengers.

During the process of merging the LATAM brand and the LATAM Pass (Spanish-speaking countries) and LATAM Fidelidade (Brazil) loyalty programs, the rules and benefits were homogenized and simplified in 2018 to significantly improve the travel experience of LATAM's customers in all the countries where it operates.

Meanwhile, in January 2018, the currency for LATAM Pass was successfully switched from kilometers to miles (maintaining the purchasing power equivalence). This change is purely nominative and is in line with the trend of loyalty programs in the airline industry worldwide, and with the homogenizing of the Group's programs.

Moreover, a new model was announced for rating elite categories, which will be valid as of 2019, and simplifies the way in which the program's categories are accessed (switching from three goals to be achieved, to a single one), as well as being constructed based on the fare paid.

With regard to the relations with LATAM Pass' business partners, in line with the goal of offering an increasingly more complete, tangible, and day-to-day coalition to the program's members, new exchange and accumulation alliances were created with large companies such as Rappi, Ripley, and Rental Cars. The contract with Santander Chile bank was also renewed, valid until 2025.

By yearend 2018, Grupo LATAM had over 30 million members in its frequent flyer programs—9.4% more than in 2017—with 15.4 million LATAM Pass members and 14.9 million LATAM Fidelidade members. Overall, the Group's airlines reported 7.1 million passengers who traded their miles for airplane tickets.

LATAM GROUP WILL HAVE THE FOURTH LARGEST LOYALTY PROGRAM IN THE WORLD, WITH OVER 30 MILLION MEMBERS.

PUBLIC STOCK OFFERING

In September 2018, LATAM Airlines Brazil announced its intention to hold a public tender offer for Multiplus' ordinary shares, in order to buy the shares from the minority shareholders (27.3%) and, should this transaction be successful, cancel its registration as a public company in the Novo Mercado segment of the Brazilian Stock Exchange (B3). This process was subject to approval from the Brazilian securities regulator and to the success of the tender offer. The application has been approved by the Brazilian Securities Commission (CVM), so the transaction should be carried out during 2019. Should it be successful, the transaction will total roughly US$305 million.

With the removal of Multiplus' stocks, LATAM Airlines Brazil will become the sole manager of LATAM Fidelidade, which serves the Brazilian Market, as is already the case for LATAM Pass, which serves Spanish-speaking countries. The direct management of LATAM Fidelidade will make it possible to identify new synergies among both frequent flyer programs and connect it more closely to the business strategy, thus strengthening the offer for customers, leveraging revenues from airfare sales.

AWARDS AND ACKNOWLEDGE-MENTS

Excellence in the service rendered to clients made LATAM stand out in various awards during 2018. The Group's commitment to sustainability was also acknowledged once again. Below are the main awards of the year.

SERVICES

World Line Airline Awards – Skytrax 2018, the most important airline industry award

> 1st place in the Best Business Class VIP Lounge among South American Airlines category.

OAG (Official Airline Guide) 2018

> Chosen as the most punctual airline group among the 20 largest airlines in the world in number of scheduled flights.

Trip Advisor – Travellers Choice Award 2018

> 3rd place in the Best Business Class Service among South American Airlines.

PAX Readership Awards – Outstanding Food Service by a Carrier

> Acknowledged as the airline with the best menu on board in South America.

APEX 2019 (Airline Passenger Experience Association)

> Acknowledged as a Five Star Global Airline for the on-board experience offered to passengers; the only one in South America to make the ranking.

World Travel 2018

> Recognized as the Leading Airline in South America.

Global Traveler's 2018 – Tested Reader Survey awards

> 1st place in the Best Airline Company in South America category, for the fifth year running.

SUSTAINABILITY

Dow Jones Sustainability Index 2018

> Included for the fifth consecutive year in the index's World category, comprised by 317 companies; LATAM is the only airline from the American continent included in the ranking.

Alas20 Award – Sustainable Leaders

> 2nd place in Leading Company in Corporate Governance.

> 2nd place in Leading Company in Sustainability category—Chairman of the Board for Ignacio Cueto Plaza.

> 3rd place in Leading Company in Investor Relations category.

Corporate Sustainability Index — ActionAbility Institute and Capital magazine – Chile

> 1st place in the overall ranking, comprised by 25 Chilean companies.

Informe Reporta – Chile

> Sustainability Report 2017, chosen as the best report from public companies trading on the Chilean Stock Exchange (IPSA).

BRAND AND DESIGN

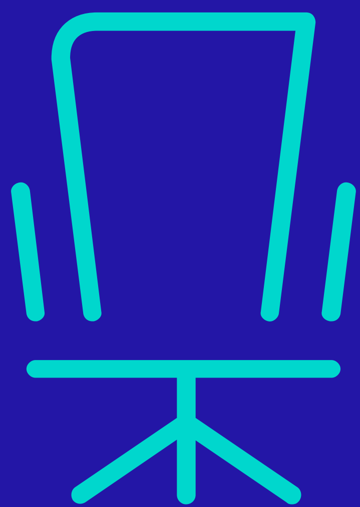
TheDesignAir Awards 2018

> Chosen as the South American Airline with the best design.

Brasil Design Awards 2018

> Grand Prix award—Branding category for the launch of the LATAM brand, in partnership with Interbrand. It was acknowledged in seven other categories, including Customer of the Year.

CORPORATE GOVERNANCE



PRINCIPLES, PRACTICES, AND POLICIES

[102-5]

LATAM Airlines Group is a publicly traded company, registered before Chile's Financial Market Council (CMF) under registration number 306, and its shares are traded on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. The Group's stocks are also traded on the New York Stock Exchange (NYSE) as *American Depositary Receipts* (ADRs).

The corporate governance practices adhere to the Securities Market Law (n° 18,045) and the Chilean Corporations Act (n° 18,046), as well as the CMF rules in Chile. They also concur with US laws and regulations, particularly the Securities and Exchange Commission (SEC), and with specific regulation in the countries where it operates.

The commitment to best governance practices and *compliance* involves all employees. A series of initiatives and instruments guide the internal conduct seeking to ensure excellence standards in ethics, compliance, transparency, and accountability, as well as to fight illicit acts, such as corruption, bribery, monopolistic practices, and money laundering. Some examples:

> **Compliance program:** it covers various elements on the subject, such as top management's commitment, the development of specific policies, risk identification and management, monitoring and control processes, training, and communication. Thus, it clarifies all employees' responsibility to comply with the laws and regulations to which the business is subject. It is run by the Legal Affairs and Compliance vice-presidency, with participation from the Management Board and the Directors' Committee;

> **Set of corporate policies** (see chart on the next page);

> **Manual for handling relevant information:** in addition to adhering to Chilean law 20,382 regarding corporate governance and the CMF's regulations, this document regulates the disclosure of transactions, the voluntary quiet periods for stock trading, the mechanisms for disclosing relevant information, and the processes to prevent leaks of confidential information;

> **Crime Prevention Manual:** Created in 2014 and part of the Crime Prevention Model, defining roles and responsibilities within the Company for crime prevention, as provided in Chilean law 20,393, which states the criminal liability of legal entities;

> **Ethics Channel:** it receives reports on breaches of laws and internal rules, such as breaches of the Code of Conduct, labor irregularities, discrimination, moral and sexual harassment, fraud, corruption, and bribery, among others. Reports are confidential and the channel is managed by an external collaborator that performs the initial assessment of all records. When necessary, the cases are transferred to the Code of Conduct Management Committee in each country, which is comprised of representatives from various departments and ensures that the cases are channeled as required. [102-17]

RELATED-PARTY TRANSACTIONS

Since 2016, the Policy for Monitoring Related-Party Transactions has been in force, drafted per the Chilean Corporations Act and valid for the Group and its affiliates. The law states that all transactions of a public company with a related party must contribute to benefit society, be carried out under market conditions, undergo assessment by the Directors Committee, and be approved by the Management Board. LATAM's policy includes the definition of transactions considered standard; that is, that do not require the Directors' Committee to analyze them or the Board to approve them.

Transactions carried out in 2018 between LATAM and its subsidiaries are included in the consolidated financial statements for the financial year ended on December 31, 2018. For further information, please refer to note 33 of the Financial Statements. [+]

Corporate policies [102-16]

The Group is constantly improving the internal regulatory framework that guides the performance of day-to-day business. Some policies stand out:

> Code of Conduct
> Code of Conduct for Senior Executives[1]
> Compliance Policy on Anticorruption[2]
> *Compliance* Committee Policy
> Executives' Roles and Responsibilities Policy
> Crime Prevention Manual
> Policy for the Orientation of New Board Members
> Risk Management Policy (*see page 61*)
> Policy for Monitoring Related-Party Transactions
> Policy on Political Contributions[2]
> Policy on Information Security[2] (*see page 62*)
> PCI (Payment Card Industry) Security Standards[1]
> Corporate Treasury Policy
> Tax Policy
> Imprest Accounts Policy[2]
> Mergers and Acquisitions Policy[2]
> Procurement Policy[2] (see page 68)
> Supplier Payments Policy[2]
> General Payment Policy[1]
> Escalation Policy (scaling up decision-making to a higher level)
> Policy on Gifts, Entertainment, and Travel[2]
> Policy on Special Services for Public Officials
> Procurement Policy[2] (*see page 100*)
> Security, Quality, and Environment Policy (*see page 158*)
> Sustainability Policy (*see site and page 50*)

1 Policy created in 2018.
2 Policy revised in 2018.

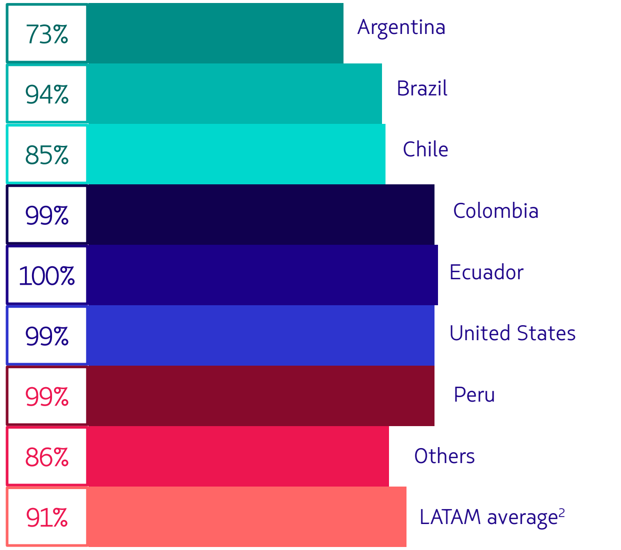
TRAINING

In a process of ongoing training and commitment, employees receive periodic training on matters of ethics, conformance, corruption prevention, and antitrust practices. The topics are part of the orientation process for new employees and of the annual plan to update their knowledge. In 2018, 91% of the employees and 97% of top management and all members of the Board took the online course on the Code of Conduct, which included a knowledge test to assess the effectiveness of the training. In 2018, the guidelines for the Code of Conduct and a matrix of consequences for cases when employees fail to take this training were approved.

The anticorruption processes are applied to the whole supplier base and 37% were provided information and training on the Code of Conduct in 2018. Of the suppliers interacting with government agencies on behalf of LATAM (TPIs), 460 were informed.

In another initiative, employees from various departments act as "ambassadors of *compliance*" in their units, helping to broadcast the topic among their colleagues. There are currently over 200 ambassadors in departments such as Airports, Corporate Affairs, Audit, Supplier Management, Infrastructure, Legal Affairs and Compliance, LATAM Travel, Marketing, Cargo Operations, Operations and Maintenance, Human Resources, Network and Fleet, Treasury, and Sales.

TRAINING ON THE CODE OF CONDUCT1[1] [205-2]



1 Annual percentage of employees who take training on the Code of Conduct in each country of operation. Employees on extended medical leave are included within the total; excluding this group, LATAM's average increases to 94%.

POLITICAL CONTRIBUTIONS

The Policy on Political Contributions establishes the guidelines regarding financial aid to parties and candidates in each of LATAM's countries of operation during electoral campaigns, regardless of the level of government. Contributions must adhere to current local legislation and be in line with the Group's Code of Conduct. It is also necessary to obtain the Board's approval, in these cases represented by the Executive Committee. No contributions have been made since this policy was implemented in late 2016. [415-1]

DECISION-MAKING SPHERES [102-18]

The main governance body of LATAM Airlines Group S.A. is the **Management Board**, which has nine permanent members, elected individually for two-year periods through the cumulative vote system. Each shareholder has one vote per share and may issue all their votes in favor of a single candidate or distribute them among several. Thus, shareholders with 10% of the float have the power to choose at least one representative.

The current Board was elected in the Ordinary Shareholders' Meeting held on April 26, 2017. In August 2018, Sonia J.S. Villalobos, a Brazilian national, joined the Board due to an opening that resulted from a director's resignation. In addition to contribute to diversity, her participation adds a relevant vision to the Board regarding the Brazilian market, the largest one where LATAM Group operates.

The Board's main functions are to define and follow the Group's strategic guidelines. The Board holds regular monthly meetings and, whenever necessary, extraordinary meetings. On average, Board members' attendance during 2018 was 82.9%.

Directors also undergo a self-evaluation process. Normally, they answer a form on best practices required by the Financial Market Commission (CMF for its Spanish acronym).

Moreover, there is a **Directors' Committee**, comprised by three members of the Board, and it also acts as Audit Committee. This structure follows the provisions of the Chilean Corporations Act (LSA for its Spanish acronym), the standards of the Sarbanes Oxley Act, and the corresponding guidelines of the US Securities and Exchange Commission (SEC).

At December 31, 2018, all members of the Directors' Committee – Eduardo Novoa Castellón, Nicolás Eblen Hirmas and Georges de Bourguignon Arndt – were considered independent pursuant to Rule 10A of the Exchange Act. According to Chilean law, Eblen Hirmas is not classed as an independent director.

In Chile, the requirements pertaining to board members' independence are stated in the LSA and its latter amendments by Law N° 19,705, regarding the relationship between board members and the controlling shareholders of a company. A board member is deemed independent when he or she has no links, interests, economic, professional, credit, or commercial dependence of any relevant nature or volume to the company, the other subsidiaries of the Group, its controller, or the main executives, nor any family ties with the latter.

Among other functions, the Directors' Committee is charged with assessing the reports by external auditors, balance sheets, and other financial statements submitted to the Board, and proposing the engagement of external auditors and risk rating agencies.

The governance structure has four committees that assist the Board providing analysis and recommendations: Strategy and Sustainability, Leadership, Finance, and Clients. Each committee is comprised by three or more Board members; at least one of them must be chosen by TEP Chile S.A.

Moreover, through a Board agreement, a Risk Committee was created to supervise the implementation of the risk pillar in the company's strategic plan, and particularly, to supervise LATAM Airlines Group's risk management and ensure the structuring of a corporate risk matrix management.

The **executive sphere** is divided into four large areas: Clients; Operations and fleet; Commercial; and Finance, with clearly divided responsibilities to execute and monitor the Group's strategy. The decision-making process is streamlined. Together with the LATAM CEO, the vice-presidencies of the four areas, of Legal and Compliance, and of Corporate Affairs make up the Executive Committee, which meets on a weekly basis, with support from the vice-president of Human Resources and the Strategic Planning director. Other areas contribute information and may be invited to the meetings to discuss specific matters.

The Legal Affairs and Compliance, Security, Corporate Affairs, Audit, Technology, and Strategic Planning departments operate throughout the organization. In the domestic affiliates, there is a CEO in charge of the operation of each subsidiary.

FOUR LARGE SEGMENTS COMPRISE THE EXECUTIVE SPHERE: CLIENTS; COMMERCIAL; OPERATIONS AND FLEET; AND FINANCE.

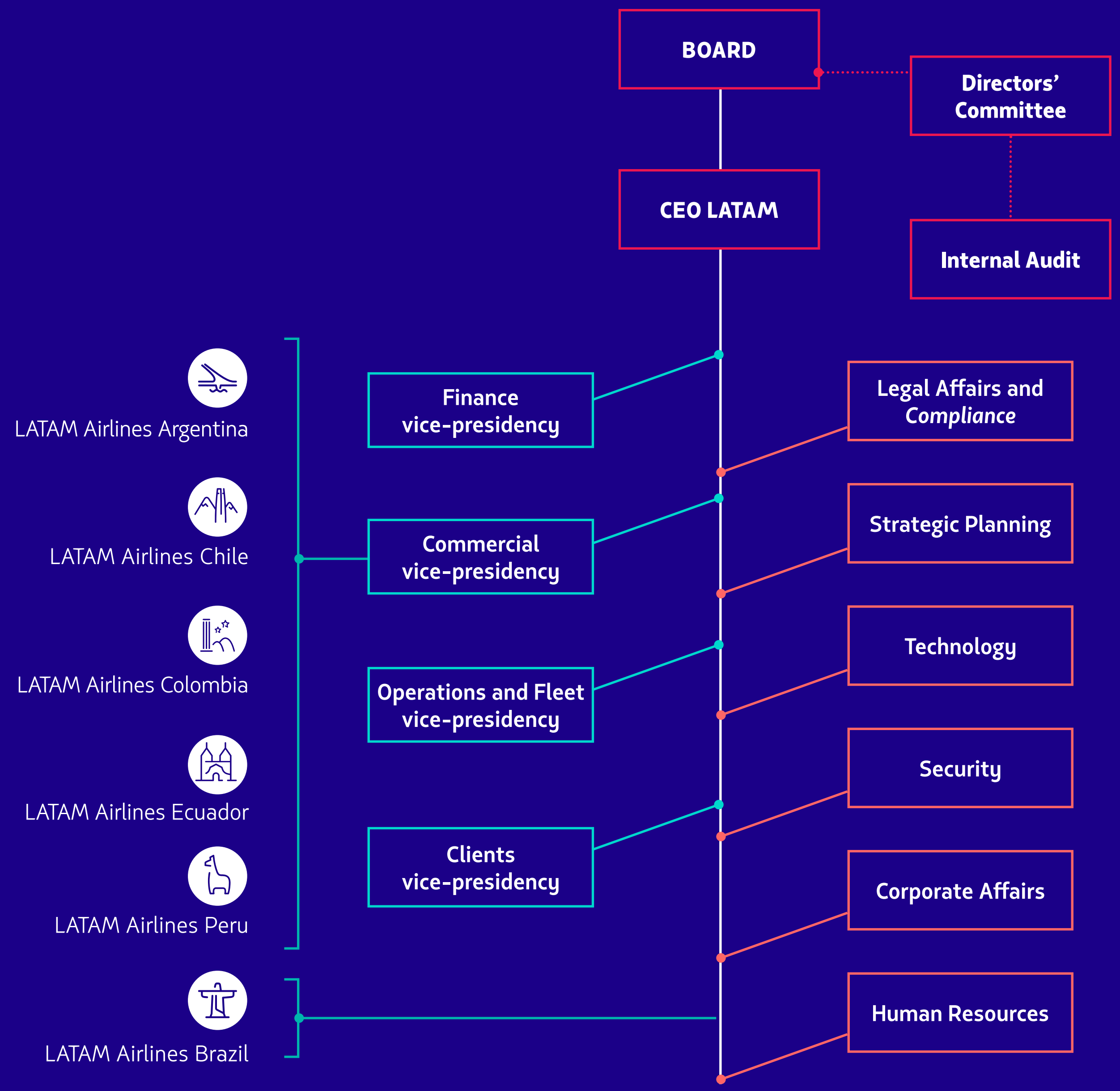
Organizational chart

[+] For further information on the Board, please refer to the Appendices:

> Board composition, résumés, and experience: page 118;

> Annual Report on the Board's Management: page 121;

> Composition of the senior management sphere and résumés of its members: page 127.



BOARD COMPENSATION

The compensations reported represent a monthly stipend for the Board and the Directors' Committee, approved in the General Ordinary Shareholders' Meeting held on April 26, 2018. During 2018, the Board and Directors' Committee had no additional expenses from counseling services in any sum that should be noted with regard to the Board's annual budget.

COMPENSATION (US$) – 2018

	Position	Board Allowance	Directors' Committee Allowance	Subcommittee Allowance	Total
Ignacio Cueto	Chairman	35,954.86	0.00	10,883.84	**46,838.71**
Carlos Heller Solari	Vice-chairman	15,746.81	0.00	0.00	**15,746.81**
Eduardo Novoa Castellón	Director	20,214.34	26,952.46	10,756.10	**57,922.90**
Georges Antoine de Bourguignon Arndt	Director	20,214.34	26,952.46	12,460.81	**59,627.61**
Giles Agutter	Director	9,780.06	0.00	0.00	**9,780.06**
Henri Philippe Reichstul	Director	14,599.25	0.00	10,384.17	**24,983.42**
Juan José Cueto Plaza	Director	6,700.42	0.00	10,756.10	**17,456.52**
Nicolas Eblen Hirmas	Director	15,819.76	26,952.46	12,673.37	**55,445.59**
Sonia Villalobos	Director	7,858.40	0.00	3,810.38	**11,668.78**
Antonio Luiz Pizarro	Former director	5,114.35	0.00	2,706.78	**7,821.14**

COMPENSATION (US$) – 2017

	Position	Board Allowance	Directors' Committee Allowance	Subcommittee Allowance	Total
Ignacio Cueto	Former chairman	31,222.00	4,751.00	12,677.00	**48,650.00**
Carlos Heller Solari	Former vice-chairman	12,467.00	0.00	2,376.00	**14,842.00**
Antonio Luiz Pizarro	Former director	11,275.00	1,716.00	9,155.00	**22,146.00**
Eduardo Novoa Castellón	Director	18,778.00	23,190.00	12,677.00	**54,645.00**
Georges Antoine de Bourguignon Arndt	Director	24,198.00	30,452.00	17,012.00	**71,662.00**
Giles Agutter	Director	10,241.00	1,716.00	3,946.00	**15,902.00**
Henri Philippe Reichstul	Director	14,463.00	1,716.00	9,917.00	**26,095.00**
Juan José Cueto Plaza	Director	18,707.00	2,376.00	15,153.00	**36,236.00**
Nicolás Eblen Hirmas	Director	18,778.00	23,190.00	12,677.00	**54,645.00**
Mauricio Amaro	Former chairman	5,235.00	0.00	1,055.00	**6,290.00**
Ramón Eblen Kadis	Former vice-chairman	5,419.00	7,262.00	4,335.00	**17,017.00**
Juan Gerardo Jofré Miranda	Former director	5,419.00	7,262.00	4,335.00	**17,017.00**

EXECUTIVES COMPENSATION

In 2018, LATAM paid the Group's main executives a total of US$30,895,695, as well as US$16,397,623 as performance incentives, in March. Total gross compensation was US$47,293,318.

In 2017, US$35,148,972 were paid as compensation and US$17,959,509 as performance incentives for the main executives, totaling US$53,108,481 in gross compensation.

COMPENSATION PLANS

The compensation plans implemented through the awarding of stock options to buy and pay for shares, which LATAM Airlines Group S.A. has granted to the employees of the Company and its affiliates, are acknowledged in the Financial Statements pursuant to IFRS 2 "Share-Based Payments". These plans report the effect of the fair value on the options awarded as a linear charge to compensations between the date when said options are granted and the date when they become irrevocable.

> Compensation plan 2013 — not valid at this time

In the Extraordinary Shareholders' Meeting held on June 11, 2013, the Company's shareholders approved, among other matters, the increase in share capital, whereby 1,500,000 shares were destined to compensation plans for the workers of the Company and its affiliates, per the provisions of Article 24 of the Chilean Corporations Act.

> The term to subscribe said shares expired on June 11, 2018, none of which were subscribed, reducing the capital by the full amount.

> Compensation plan 2016-2018

The Company implemented a long-term retention plan for executives, lasting until December 2018, with a vesting period between October 2018 and March 2019, and consisting in an extraordinary bonus whose calculation formula is based on the value variation experienced by the shares of LATAM Airlines Group S.A. during a given period.

> This benefit is recorded pursuant to IFRS 2 "Stock-Based Payment" and has been considered a cash-settled award, and therefore recorded at fair value as a liability, which is updated at the closing date of each Financial Statement, affecting the fiscal year's profit or loss.

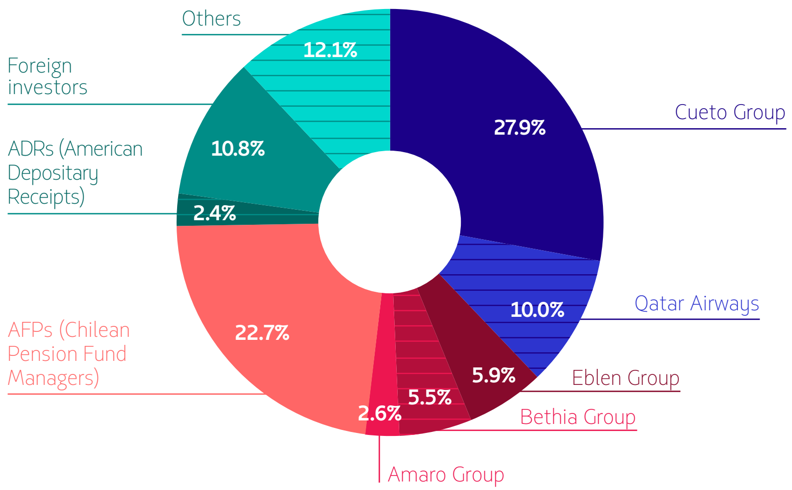
OWNERSHIP STRUCTURE

OWNERSHIP

The Company's goal is to maintain a suitable level of capitalization that will enable it to ensure access to financial markets to develop its medium- and long-term goals, optimizing returns to its shareholders and maintaining a sound financial position.

The Company's paid-in capital at December 31, 2018, totaled ThUS$3,146,265 divided among 606,407,693 nominative, common shares, and ThUS$3,146,265[1] divided among 606,407,693 shares at December 31, 2017, from the same and only series, without par value. There are no special series of shares, nor privileges. The form of the stock certificates, their issuance, exchange, disablement, loss, replacement, and any other circumstance concerning them, as well as the transfer of shares, will be ruled by the provisions included in the Chilean Corporations Act and its Regulations.

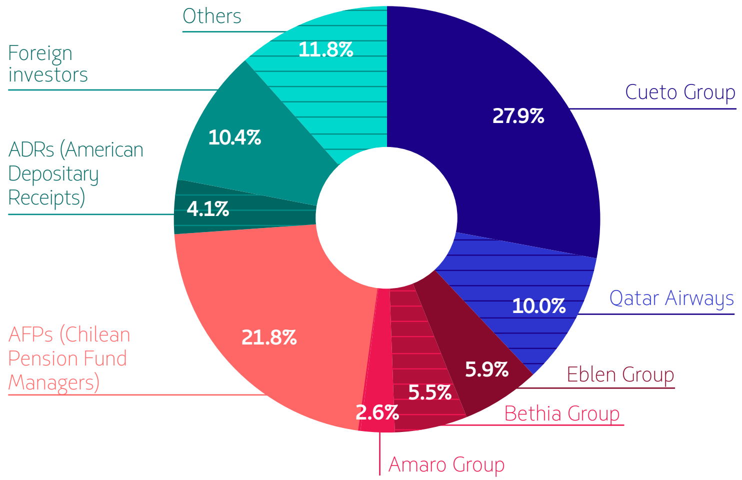
STOCKHOLDING 2018[2] [102-10]



Major Shareholders	Total shares	%
Cueto Group	169,248,377	27.9
Qatar Airways[3]	60,640,768	10.0
Eblen Group	35,945,199	5.9
Bethia Group	33,367,357	5.5
Amaro Group	15,615,113	2.6
AFPs	137,618,361	22.7
ADRs	14,827,812	2.4
Foreign investors	65,587,277	10.8
Others	73,557,429	12.1

Total: 606,407,693 shares subscribed and paid.

STOCKHOLDING 2017[4]



Major Shareholders	Total shares	%
Cueto Group	169,248,377	27.9
Qatar Airways[3]	60,837,452	10.0
Eblen Group	35,945,199	5.9
Bethia Group	33,367,357	5.5
Amaro Group	15,615,113	2.6
AFPs	132,004,187	21.8
ADRs	25,087,789	4.1
Foreign investors	62,885,987	10.4
Others	71,416,232	11.8

Total: 606,407,693 shares subscribed and paid.

1 Includes deduction of issuance costs worth ThUS$3,299 and adjustment for the issuance of 10,282 shares worth ThUS$156, approved in the Extraordinary Shareholders' Meeting held on April 27, 2017.
2 Information regarding December 31, 2018. Total: 1,451 shareholders.
3 At that date, Qatar Airways represented 9.99% of LATAM's shares issued.
4 Information regarding December 31, 2017. Total: 1,485 shareholders.

MAIN SHAREHOLDERS AS AT DECEMBER 31, 2018

Name	Shares subscribed and paid at 12/31/2018	%
Costa Verde Aeronautica S.A.	88,259,650	14.6%
Qatar Airways Investments (UK) Ltd.[1]	60,640,768	10.0%
Costa Verde Aeronáutica tres SpA	35,300,000	5.8%
Banco de Chile on behalf of non-resident third parties	24,065,437	4.0%
Inversiones Nueva Costa Verde Aeronautica Ltda.	23,578,077	3.9%
Banco Santander on behalf of foreign investors	20,751,218	3.4%
Banco Itaú Corpbanca on behalf of foreign investors	20,004,614	3.3%
Axxion S.A.	18,473,333	3.0%
Inversiones Andes SpA	17,146,529	2.8%
TEP Chile S.A.	15,615,113	2.6%
Inversiones HS SpA	14,894,024	2.5%
JP Morgan Chase Bank	14,827,812	2.4%

All shares are part of the same series. LATAM has only one series of shares.

1 At that date, Qatar Airways represented 9.99% of LATAM's shares issued.

MAIN SHAREHOLDERS AS AT DECEMBER 31, 2017

Name	Shares subscribed and paid at 12/31/2017	%
Costa Verde Aeronautica S.A.	88,259,650	14.6%
Qatar Airways Investments (UK) Ltd.[1]	60,837,452	10.0%
Costa Verde Aeronáutica tres SpA	35,300,000	5.8%
Banco de Chile on behalf of non-resident third parties	26,868,034	4.4%
JP Morgan Chase Bank	25,087,789	4.1%
Inversiones Nueva Costa Verde Aeronautica Ltda.	23,578,077	3.9%
Banco Itaú Corpbanca on behalf of foreign investors	22,101,009	3.6%
Axxion S.A.	18,473,333	3.0%
Inversiones Andes SpA	17,146,529	2.8%
TEP Chile S.A.	15,615,113	2.6%
Inversiones HS SpA	14,894,024	2.5%
Banco Santander on behalf of foreign investors	13,309,477	2.2%

CONTROLLING SHAREHOLDERS

Below is a detail of the percentage held, directly or indirectly, by the controller and by each of its members and the identification of the individuals who run each of the legal entities.

1. The Cueto Group is the majority shareholder of LATAM, and is comprised by Messrs. Juan Jose Cueto Plaza (one of our board members), Ignacio Cueto Plaza (chairman of the Board), Enrique Cueto Plaza (LATAM CEO), and certain other members of the family. At December 31, 2018, the Cueto Group held 27.91% of LATAM's ordinary shares through the following groups (Chart 1):

CHART 1

RUT	Shareholder	Total shares	%
81.062.300-4	Costa Verde Aeronáutica S.A	88,259,650	14.55%
76.592.181-3	Costa Verde Aeronáutica Tres SpA	35,300,000	5.82%
76.116.741-3	Inversiones nueva Costa Verde Aeronáutica Ltda.	23,578,077	3.89%
76.213.859-K	Costa Verde Aeronáutica SpA	12,000,000	1.98%
76.237.354-8	Inversiones Priesca Dos y Cia. Ltda.	3,568,352	0.59%
76.237.329-7	Inversiones Caravia Dos y Cia. Ltda.	3,553,344	0.59%
76.237.343-2	Inversiones el Fano Dos y Cia. Ltda.	2,704,533	0.45%
76.327.426-8	Inversiones la Espasa Dos y Cia. Ltda.	252,097	0.04%
76.809.120-K	Inversiones la Espasa Dos S.A	32,324	0.01%
CUETO GROUP TOTAL		**169,248,377**	**27.91%**

2. With regard to **COSTA VERDE AERONÁUTICA S.A.**, its shareholders are (Chart 2):

CHART 2

Shareholder	%
Inversiones Costa Verde Aeronáutica S.A.	77.97%
TEP Chile S.A.	21.88%
Inversiones Mineras del Cantábrico S.A.	0.0001%
Inversiones Costa Verde Limitada y CIA en C.P.A.	0.13%
Minority shareholders	0.013%

3. In turn, the controlling group of Costa Verde Aeronáutica S.A. mentioned above, **INVERSIONES COSTA VERDE AERONÁUTICA S.A.** (Chart 2) has the following partners (Chart 3):

CHART 3

Shareholder	%
Inversiones Costa Verde Limitada y CIA en C.P.A.	99.85%
Inversiones Costa Verde S.A.	0.131%
Inversiones Costa Verde Limitada	0.014%

4. INVERSIONES COSTA VERDE LIMITADA Y COMPAÑÍA EN COMANDITA POR ACCIONES discussed above, (Chart 3), has the following partners (Chart 4):

CHART 4

Shareholder	%	Main partner	RUT
Inmobiliaria e Inversiones El Fano Limitada	8%	Enrique Miguel Cueto Plaza	6.694.239-2
Inmobiliaria e Inversiones Caravia Limitada	8%	Juan José Cueto Plaza	6.694.240-6
Inmobiliaria e Inversiones Priesca Limitada	8%	Ignacio Javier Cueto Plaza	7.040.324-2
Inmobiliaria e Inversiones La Espasa Limitada	8%	Juan José Cueto Plaza	6.694.240-6
Inmobiliaria e Inversiones Puerto Claro Limitada	8%	Isidora Cueto Felipe Cueto María Emilia Cueto	18.391.071-K 20.164.894-7 20.694.332-7
Inmobiliaria e Inversiones Colunga Limitada	30%	Same shareholders from Inv. Mineras del Cantábrico S.A.	76.180.199-6
Inversiones del Cantábrico Limitada	30%	Same shareholders from Inversiones Mineras del Cantábrico S.A.	76.006.936-1

5. With regard to INMOBILIARIA E INVERSIONES COLUNGA LIMITADA and INVERSIONES DEL CANTÁBRICO LTDA., 100% owned by the Cueto Group, and its ultimate shareholders are Messrs. (i) Juan José Cueto Plaza, individualized before; (ii) Ignacio Javier Cueto Plaza, individualized before; (iii) Enrique Miguel Cueto Plaza, individualized before; (iv) María Esperanza Cueto Plaza, RUT 7.040.325-0; (v) Isidora Cueto Cazes, RUT 18.391.071-k; (vi) Felipe Jaime Cueto Ruiz-Tagle, RUT 20.164.894-7; (vii) María Emilia Cueto Ruiz-Tagle, RUT 20.694.332-7; (viii) Andrea Raquel Cueto Ventura, RUT 16.098.115-6; (ix) Daniela Esperanza Cueto Ventura, 16.369.342-9; (x) Valentina Sara Cueto

Ventura, RUT 16.369.343-7; (xi) Alejandra Sonia Cueto Ventura, RUT 17.700.406-5; (xii) Francisca María Cueto Ventura, RUT 18.637.286-7; (xiii) Juan José Cueto Ventura, RUT 18.637.287-5; (xiv) Manuela Cueto Sarquis, RUT 19.078.071-6; (xv) Pedro Cueto Sarquis, RUT 19.246.907-4; (xvi) Juan Cueto Sarquis, RUT 19.639.220-3; (xvii) Antonia Cueto Sarquis, RUT 20.826.769-8; (xviii) Fernanda Cueto Délano, RUT 18.395.657-4; (xix) Ignacio Cueto Délano, RUT 19.077.273-k; (xx) Javier Cueto Délano, RUT 20.086.836-6; (xxi) Pablo Cueto Délano, RUT 20.086.837-4; (xxii) José Cueto Délano, RUT 20.963.574-7; (xxiii) Nieves Isabel Alcaíno Cueto, RUT 18.636.911-4; (xxiv) María Elisa Alcaíno Cueto, RUT 19.567.835-9; and (xxv) María Esperanza Alcaíno Cueto, RUT 17.701.730-2.

6. The shareholders of Costa Verde Aeronáutica Tres SpA are (Chart 5):

CHART 5

Shareholder	%	Main partner
Costa Verde Aeronáutica S.A.	100%	Inversiones Costa Verde Aeronáutica S.A. (77.97%)

7. The partners of **INVERSIONES NUEVA COSTA VERDE AERONÁUTICA LIMITADA** are (Chart 6):

CHART 6

Shareholder	%	Main partner
Costa Verde Aeronáutica S.A.	99.99%	Inversiones Costa Verde Aeronáutica S.A. (77.97%)
Inversiones Costa Verde Limitada	0.01%	Juan José, Ignacio Javier y Enrique Cueto Plaza

8. The shareholders of **COSTA VERDE AERONÁUTICA SpA** are (Chart 7):

CHART 7

Shareholder	%
Inversiones Nueva Costa Verde Aeronáutica Dos S.A.	100%

9. The equity participation of **INVERSIONES PRIESCA DOS Y CIA. LTDA.** is distributed as follows (Chart 8):

CHART 8

Shareholder	%
Ignacio Cueto	88%
Others	12%

10. The equity participation of **INVERSIONES CARAVIA DOS Y CIA. LTDA.** is distributed as follows (Chart 9):

CHART 9

Shareholder	%
Juan José Cueto	88%
Others	12%

11. The equity participation of **INVERSIONES EL FANO DOS Y CIA. LTDA.** is distributed as follows (Chart 10):

CHART 10

Shareholder	%
Enrique Cueto	99%
Others	1%

12. The partners of **INVERSIONES LA ESPASA DOS Y CIA. LTDA.** are (Chart 11):

CHART 11

Shareholder	%
Inversiones La Espasa Dos S.A.	88%
María Esperanza Alcaíno Cueto Uno y Cia. Ltda.	12%

13. The partners of **INVERSIONES LA ESPASA DOS S.A.** are (Chart 12):

CHART 12

Shareholder	%
Inmobiliaria e Inversiones La Espasa Limitada	99%
María Esperanza Alcaíno Cueto Uno y Cia. Ltda.	1%

The controlling shareholders, other main shareholders, and minority shareholders of LATAM, who alone or together with others under a joint action agreement, can appoint at least one member of the company's management, or who have a weight of 10% or more in the capital with voting rights, are mentioned below.

Shareholders	Shares subscribed and paid	% of ownership of total
CUETO GROUP[1]	**169,248,377**	**27.91**
Costa Verde Aeronáutica S.A.	88,259,650	14.55
Costa Verde Aeronáutica Tres SpA	35,300,000	5.82
Inversiones Nueva Costa Verde Aeronautica Ltda.	23,578,077	3.89
Costa Verde Aeronáutica SpA	12,000,000	1.98
Others	10,110,650	1.67
QATAR AIRWAYS	**60,640,768**	**9.99**
Qatar Airways Investments	60,640,768	9.99
EBLEN GROUP	**35,945,199**	**5.93**
Inversiones Andes SpA	17,146,529	2.83
Inversiones Andes II SpA	8,000,000	1.32
Inversiones PIA SpA	5,403,804	0.89
Comercial las Vertientes SpA	5,394,866	0.89
BETHIA GROUP	**33,367,357**	**5.50**
Axxion S.A.	18,473,333	3.05
Inversiones HS SpA	14,894,024	2.46
AMARO GROUP[2]	**15,615,113**	**2.58**
TEP Chile	15,615,113	2.58
OTHER MINORITY SHAREHOLDERS	**291,590,879**	**48.09**
TOTAL	**606,407,693**	**100.00**

1 The CuetoGroup, whom this Integrated Report also refers to as "LATAM controlling shareholders", has undersigned a shareholder pact with the controlling shareholders.
2 The Amaro Group, whom this Integrated Report also refers to as "LATAM controlling shareholders", has undersigned a shareholder pact with the controlling shareholders.

Below are presented the number and percentage of paid-in shares of LATAM's equity held by each of the board members and main executives of the company:

Board member	Shares (total and %)
Ignacio Cueto Plaza[1]	169,248,377 (27.91%)
Juan José Cueto Plaza[1]	169,248,377 (27.91%)
Nicolás Eblen Hirmas[1]	35,945,199 (5.93%)
Carlos Heller Solari[1]	33,367,357 (5.50%)
Henri Philippe Reuchstul	0 (0.00%)
Georges de Bourguinon Arndt[2]	0 (0.00%)
Eduardo Novoa Castellón	0 (0.00%)
Sonia J.S. Villalobos	0 (0.00%)
Giles Agutter	0 (0.00%)

Executives	Shares (total and %)
Enrique Cueto Plaza[1]	169,248,377 (27.91%)
Claudia Sender	0 (0.00%)
Roberto Alvo	0 (0.00%)
Juan Carlos Menció	0 (0.00%)
Hernán Pasman	0 (0.00%)
Emilio del Real	0 (0.00%)
Ramiro Alfonsín	0 (0.00%)

1 Juan José Cueto Plaza, Enrique Cueto Plaza, and Ignacio Cueto Plaza are part of the Cueto Group; Nicolás Eblen Hirmas, is part of the Eblen Group, and Carlos Heller Solari, of the Bethia Group. None of them personally holds the shares mentioned above, but rather through the group in which they participate.
2 Georges de Bourguignon Arndt holds no LATAM shares directly, but rather as the legal representative of a company, owned by his children, which holds 3,153 LATAM shares.

[+] The Shareholders' Agreement is in the Appendices.

DIVIDENDS

With regard to dividends, the Company has declared that they must be equal to the minimum required by law, that is, 30% of the profits, per current regulation. This does not prevent dividends above said mandatory minimum eventually being paid, depending on the particularities and factual circumstances that may be perceived throughout the year. Looking ahead, the Company does not expect changes in the dividend policy.

During 2014 and 2015, the Company reported no profits, so no dividend payments were made. On May 18, 2017, the Company paid a total dividend of US$20,766,119 charged to the profits from 2016. On May 17, 2018, the Company paid a total dividend of US$46,591,192.86, charged to the profits from 2017.

INVESTOR RELATIONS

LATAM's interaction with its shareholders and other players of the capitals market is permanent. The Investor Relations website contains updated financial information — in the case of quarterly results — and other data, such as a detail of the corporate governance structure. The contents are available in English, Spanish, and Portuguese. To learn more, please visit: http://www.LATAMairlinesgroup.net.

FINANCIAL POLICY

The Corporate Finance Department is responsible for managing the Company's Financial Policy. This Policy makes it possible to effectively face changes in conditions outside the business' normal operation and thus maintain and anticipate a stable flow of funds to ensure the operation's continuity.

Moreover, the Finance Committee, comprising the executive vice-presidency and members of LATAM's Board, meets periodically to review and propose to the Board the approval of issues that are not regulated by the Financial Policy.

LATAM Airlines Group's Financial Policy aims for the following goals:

> To ensure a minimum liquidity level for operations. To preserve and maintain suitable cash flow levels to ensure that requirements for operations and growth are covered. To maintain a suitable level of credit lines with local and foreign banks to face contingencies.

> To keep an optimal debt level and profile that matches the growth of its operations, and keeping in mind the goal to minimize financing costs.

> Capitalize excess cash flow through financial investments that will guarantee a risk and liquidity level consistent with the Financial Investment Policy.

> To reduce the effects of market risks, such as variations in fuel prices, exchange rates, and interest rates on the company's net profit margin.

> To manage counterparty risk through the diversification and limits on investments and transactions with counterparties.

> To maintain, at all times, a long-term view of the company's projected financial situation to anticipate situations of covenant breaches, low liquidity, deterioration of the financial ratios agreed with rating agencies, etc.

> The Financial Policy delivers guidelines and restrictions to manage Liquidity and Financial Investment transactions, Financing Activities, and Market Risk Management.

LIQUIDITY AND FINANCIAL INVESTMENT POLICY

During 2018, LATAM Airlines Group maintained adequate liquidity levels, in order to safeguard from potential outside shocks and the volatility and cycles of the industry itself, ending December 2018 with a liquidity ratio of 19.3% over total sales for the last 12 months. This liquidity includes a revolving credit line obtained[1] for a total of US$600 million from twelve local and international financial institutions, and which, at the end of the period, was fully available.

Moreover, during 2018, a significant part of the pre-delivery payments, related to the Boeing and Airbus aircraft that LATAM will receive in the future, was financed with the Company's own resources. The balance as at December 31, 2018, stood at US$377 million in pre-delivery payments funded through own resources.

1 Subject to the availability of collateral.

With regard to the Financial Investment Policy, the goal is to centralize investment decisions to optimize profitability, adjusted for currency risk, subject to maintaining suitable security and liquidity levels.

Moreover, the aim is to manage risk through the diversification of counterparties, maturities, currencies, and instruments.

FINANCING POLICY

The scope of LATAM's Financing Policy is to centralize financing activities and balance the assets' useful life against debt maturities.

Throughout 2018, the company succeeded in reducing the balance of its total gross debt by roughly US$0.7 billion, explained by the payment of a debt maturity worth around US$1.3 billion, and the contracting of new debt worth around US$0.6 billion. The main financing activities performed during 2018 were related to the refinancing and restructuring of debt obligations backed by collateral, including airplanes and engines. Additionally, the Company has an unused committed line whose available sum was increased by US$150 million to US$600 million, and its maturity was extended. This line is subject to the availability of the collateral consisting of aircrafts, spare engines, and overall spare parts.

Most of the investments that LATAM Airlines Group has made pertain to the fleet acquisition programs, which are generally financed through a combination of own resources and long-term structured financial debt. Normally, LATAM finances between 75% and 85% of the value of the assets through bank loans, bonds covered by the export promotion agencies, or unsecured bonds from export promotion agencies, such as EETC, where the remaining part is funded through commercial loans, capital investments, or the Company's own funds.

The payment schedules of the various aircraft financing structures are mostly for 12 years. Moreover, LATAM contracts a large part of its fleet purchase commitments through operating leases as an additional source of financing.

During 2018, the whole fleet was received through operating leases, so no financing was scheduled for new fleet.

As for short-term financing, at December 31, 2018, LATAM held around 5% of its total debt in loans to exporters and importers to finance working capital needs.

Some of the Financing Policy's other goals are to ensure a stable debt maturity and leasing commitment profile, including debt servicing and the payments on fleet leasing, which is consistent with LATAM's operating cash flow.

MARKET RISK POLICY

Given the nature of its operations, LATAM Airlines Group is subject to market risks, such as: (i) fuel price risk, (ii) interest rate risk, and (iii) exchange rate risk. In order to hedge fully or partially against these risks, LATAM uses financial derivatives to reduce the adverse effects that these risks could cause. Market Risk management is carried out comprehensively and includes the correlation with each market factor to which LATAM is exposed. In order to do business with each counterparty, the Company must have an approved line, and a signed framework agreement with the chosen counterparty.

Fuel price risk

Variations in fuel prices depend significantly on oil supply and demand in the world, as well as on the decisions made by the Organization of the Petroleum Exporting Countries ("OPEC"), the refining capacity worldwide, inventory levels, and the occurrence of climatic or geopolitical events. LATAM purchases fuel for airplanes, known as Jet Fuel. In order to execute fuel hedges, there is a benchmark index on the international market for this core asset, which is Jet Fuel 54 US Gulf Coast. This index was mainly used by LATAM Airlines Group for its hedges during 2018. LATAM also undertook hedging through NYMEX Heating Oil, whose core index is included in the Fuel Risk Hedging Policy, given the high correlation between this core index and Jet Fuel 54.

The Fuel Hedging Policy sets a minimum and a maximum hedging range for the Company's fuel consumption, based on the capacity to pass through fuel price variations to airfares, anticipated sales, and the competition scenario. Moreover, this Policy sets hedging zones, a premiums budget, and other strategic restrictions that are assessed and presented periodically before the LATAM Finance Committee.

With regard to fuel hedging instruments, the Policy makes it possible to contract combined Swaps and Options only for hedging purposes, and does not allow the net sale of options.

Interest rate risk on cash flows

Interest rate variations depend largely on the state of the global economy. An improvement in the long-term economic outlook drives long-term interest rates upward, while a deterioration causes a drop due to market effects. However, when we consider government interventions, in a period of economic contraction, benchmark rates are usually decreased to boost aggregate demand by making credit more affordable and increasing production (just as there are hikes in the benchmark rate in times of economic expansion).

The uncertainty surrounding how the market and the governments will behave, and thus, how the interest rate will change, leads to a risk related to LATAM's debt subject to variable interest, its investments, and the new issuances it may make. Interest rate risk on existing debt is equivalent to future cash flow risk on financial instruments, given the interest rate fluctuations on the markets.

LATAM's exposure to the risk from market interest rate fluctuations is mainly related to long-term obligations with variable rates.

In order to reduce the risk from an eventual hike in interest rates, LATAM Airlines Group has interest rate swap contracts. At December 31, 2018, the market value of interest rate derivatives positions totaled US$2.2 million (negative).

The instruments approved in the Interest Rate Hedging Policy are interest rate Swaps and Options.

Exchange rate risks

The functional currency used by the controlling company is the US dollar in terms of price-setting for its services, the composition of its statement of financial position, and the effects on the results of operations. There are two types of exchange risks: cash flow and balance sheet risks. Cash flow risk is a consequence of the net revenue position and costs in currencies other than US dollars.

LATAM sells most of its services in US dollars, in prices equivalent to the US dollar and the Brazilian Real. Roughly 64% of revenues are US dollar-denominated, whereas around 21% are denominated in Brazilian Reals. A major part of expenses is denominated in US dollars or equivalent to the USD, particularly fuel costs, aviation taxes, aircraft leases, insurance, and aircraft components and accessories. Wage expenses are denominated in local currencies. The total percentage of costs denominated in USD is around 70%, whereas roughly 16% is denominated in Brazilian Reals.

LATAM Airlines Group does its international cargo and passenger business mostly in USD. A share of the fares from the international PAX business is closely correlated to the Euro. In the domestic business, most fares are in local currency without any sort of indexation to the US dollar. As for the domestic business in Peru and Ecuador, both airfares and sales are in USD. Thereby, LATAM is exposed to the fluctuations in various currencies, but mainly the Brazilian Real and the Euro.

LATAM Airlines Group has hedged against exchange rate risks mainly through forwards contracts and currency options during 2018. At December 31, 2018, LATAM has no hedges for the Brazilian real for 2019, with a view to establish a hedge during this year.

On the other hand, the balance sheet risk appears when entries recorded are exposed to exchange rate variations, as these entries are expressed in a different currency from the functional one. While LATAM may have derivatives contracts to hedge against the effects of a possible currency appreciation or depreciation vs. the functional currency used by the controlling company, during 2018, LATAM held no hedges against balance sheet risk.

The main mismatch factor is seen in TAM S.A., whose functional currency is the Brazilian Real, and as most of its liabilities are stated in US dollars, even though its assets are stated in local currency. This imbalance decreased significantly during 2018, thus minimizing this risk. Specifically, the spread between dollar-denominated liabilities and assets decreased to US$559 million by the end of 2018, compared to an US$805 million spread at December 2017.

SUSTAINABILITY

LONG-TERM VISION

LATAM acknowledges that the integrated management of the economic, social, and environmental dimensions of business is essential for the ambition of being among the best in the world's aviation sector. The commitment to generate shared value for shareholders and investors, employees, clients, suppliers, and the overall society is part of the long-term business strategy.

Three main lines of action integrate the Group's sustainability strategy and guide the identification of risks and opportunities:

> **Governance:** transparency and clear positioning, definition of commitments and goals, roles and responsibilities in decision-making and implementing actions, monitoring results;

> **Climate change:** identifying opportunities for managing environmental aspects and impacts (current, real, potential, positive, and negative) and mitigating risks, paying special attention to reducing the carbon footprint and adopting eco-efficiency practices;

Corporate citizenship: boosting the socioeconomic and environmental development of the regions where LATAM operates, taking advantage of the commitment of both the Group itself and the other players in its value chain.

This clear path transversally permeates all sustainability-related actions, in an ongoing improvement process. The Group's action plans—with initiatives, objectives, goals, and tracking indicators—focus on the topics defined as the most relevant through materiality processes. To determine the most relevant topics, LATAM takes into account the operation's (current and potential) impacts on its different stakeholder groups, these groups' perceptions and expectations, the Group's vision of the future and the commitments assumed, as well as global trends, and industry and sustainability guidelines. The topics are reviewed periodically in an effort to keep them in line with the business strategy and the external context, in constant transformation.

The most recent update, completed in January 2018, included taking a survey among employees, clients, and suppliers to gather the topics of interest of the sector, authorities, regulator agencies, and society. LATAM's top management participated actively in the validation and prioritization of the material topics. (*The detailed description of the process is included on* page 104).

THE INTEGRATED MANAGEMENT OF THE ECONOMIC AND SOCIOENVIRONMENTAL ASPECTS IS ESSENTIAL TO THE SUCCESS OF THE BUSINESS.

Material topics [102-47]

Opportunities

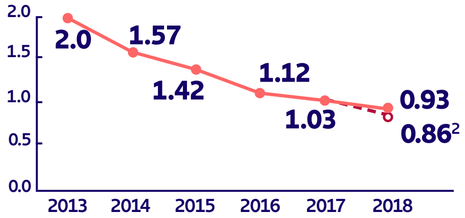
Risks

Health and safety in the air and on the ground
preventing and managing the risk of incidents, accidents and

Risks: Performance in safety directly influences customers' choices and the company's reputation with long-term effects.

PERFORMANCE 2018 AND TRACKING INDICATORS

WORK-RELATED INJURIES[1]



0 accidents (Permanent goal: 0)

Rate of incidents/ deviations in ground operations 75% lower than the sector average

Action Plan Index – API: 86%

1 Total accidents with lost time/average no. of employees x 100.
2 2018 Goal

OTHER MONITORED INDICATORS OR ASPECTS

Risk situations identified and mitigated

Ethics and anti-corruption
combating unethical or illegal practices

Opportunities: The company can foster good practices through its broad network of relations. Involvement in the topic favors long-term relations with strategic stakeholders and employees' commitment.

Risks: Breaches damage the Company's reputation; fines and penalties may endanger the operation.

PERFORMANCE 2018 AND TRACKING INDICATORS

100% of the operations covered by corruption risk analysis (2018 Goal: 100%)

91% of the employees, 97% of management and 100% of the Board took the course on Code of Conduct

0 cases of corruption

OTHER MONITORED INDICATORS OR ASPECTS

Measures of corruption adopted in confirmed cases of corruption

On-time performance
ensuring operations run to the highest standards of punctuality

Opportunities: One of the main attributes valued by clients, and a performance differentiator in an increasingly more competitive market.

Risks: On-time performance affects operating efficiency.

PERFORMANCE 2018 AND TRACKING INDICATORS

ON-TIME PERFORMANCE (%)[1]

1 Considers flights with waits of up to 15 minutes
2 2018 Goal.

Economic and financial sustainability
Maximizing efficiency and ensuring long-term profitability

Opportunities: An efficient operation is more resilient and responds faster to the challenges and changes of the market.

Risks: Determines the Company's viability.

PERFORMANCE 2018 AND TRACKING INDICATORS

Load factor: 83.1%

6.8% operating margin (Guidance 2018: 6.5% - 8%)[1]

ASK growth – Passenger operation (Guidance 2018: 4% - 6%)[1]

4% ATK growth – Cargo operation (Guidance 2018: 1% - 3%)[1]

1 The *guidance* for 2019 is: Operating margin (7% - 9%); ASK/passenger growth (4% - 6%); and ATK/cargo growth (1% - 3%).

Developing employees
strategies for attracting, retaining, training and developing employees

Opportunities: In daily operations, the people who put the strategy into practice and ensure the company's success. The technical capacity, handling of knowledge, strategic alignment, and commitment are key factors for performance and productivity, and they make a difference in the market.

PERFORMANCE 2018 AND TRACKING INDICATORS

35 hours of training per employee

Organizational Health Index (OHI): 64 (2018 and 2019 Goal: 64)

OHI response rate: 75%

Turnover rate: 14.2%

Material topics [102-47]

Opportunities

Risks

Mitigating climate change

efficient use of fossil fuels, support for the development of biofuels, and the reduction/offsetting of greenhouse gas emissions

Opportunities: The ongoing innovation generates improvements in efficiency, which are essential for resilience in a sector like aviation, as it operates with very low margins.

Commitment to a good environmental performance is an ever more relevant factor regarding clients and society in general.

Risks: The adoption of restrictive laws and regulations related to the greenhouse gas emissions in the countries where LATAM operates may generate an increase in the Group's operating costs.

Extreme weather events may affect operations.

PERFORMANCE 2018 AND TRACKING INDICATORS

- 10% reduction in the total carbon footprint, net, and 54% decrease in the carbon footprint of ground operations compared to 2012
- Savings of 55.1 million gallons of fuel (2018 Goal: 55.1 million gallons | 2019 Goal: 60.6 million gallons)
- 16% more efficient fuel use compared to 2012
- 0.31 MWh/100 RTK energy intensity[1]

1 Considering internal and external consumption.

Customer focus

efforts to attract and retain customers

Opportunities: A strategy focused on the customer enables the company to closely monitor the evolution of this group's profile, anticipate trends, and innovate the business itself.

Risks: Customers' preference is what ensures revenues and business continuity.

PERFORMANCE 2018 AND TRACKING INDICATORS

- Passenger NPS (Net Promoter Score): 23 (Goal: 32)
- Cargo NPS: 23
- Over 30 million members of the frequent flyer programs

Developing the destination network to offer greater connectivity

to be the best connectivity option in the region

Opportunities: A broad network adapted to the needs and expectations of different customer profiles boosts demand, even among new segments of customers, and generates revenues; in the medium and long term, it bolsters customer relations and contributes to business continuity.

PERFORMANCE 2018 AND TRACKING INDICATORS

- In 2018, LATAM opened 28 new routes and 7 new destinations.
- Frequency leadership over other airlines operating the same routes at 47.6% total capacity
- 87% coverage on potential routes requested by passengers in the six countries of operation
- Best option for one out of every three passengers traveling on the routes that the Group offers

Relations with authorities

contact with authorities and regulatory bodies in the sector, compliance with laws and regulations

Opportunities: Relations with authorities, regulatory bodies, representative agencies, and other industry agents favor the generation of solutions for common challenges — in the segments of logistics, mobility, and infrastructure, for instance — and benefit companies, the government, and society.

Risks: The aviation industry is highly regulated; deviations and breaches may affect or prevent operations.

PERFORMANCE 2018 AND TRACKING INDICATORS

The main achievements on this topic are not measured using numeric indicators, but they reflect the quality of the strategic dialogue for the sector's development, described on page 52.

Sustainable tourism

to promote a balance between tourist activities and the preservation of the culture and environment at the destinations

Opportunities: Generating shared value from a topic that is closely related to the business itself offers a unique opportunity for LATAM to put into practice its commitment to South America and create legacies of development for the region.

Positive social, economic, and environmental effects strengthen relations with various stakeholders; in the internal sphere, the pride of belonging to a company with a purpose benefits the internal climate and commitment.

PERFORMANCE 2018 AND TRACKING INDICATORS

Development of the corporate citizenship strategy within the global sustainability strategy to bolster the integrated management of all three dimensions of tourism:

> Economic (generate wealth locally and boost the tourism chain);

> Social (foster the preservation of local heritage);

> Environmental (recover degraded areas and people's mobility).

THE SUSTAINABLE PERFORMANCE IS EVERYONE'S COMMITMENT.

At the highest spheres

The progress and challenges in managing sustainability are monitored by the Board, the Group's highest governing body. Its members receive periodic information on the progress achieved on the initiatives and the performance regarding goals, and they can direct new actions or correct the course.

In the executive sphere, responsible for executing the strategy, the social, environmental, and economic dimensions of the business are treated in coordination among different departments, with an integrated view of risks and opportunities.

COMPENSATION LINKED TO SUSTAINABILITY

The fact that this topic directly influences the Group's bonus program confirms the importance that LATAM places on sustainability. The payment of variable compensation to top management and employees is conditioned to the achievement of goals on three levels.

The first, which is the trigger to define whether or not there will be variable compensation, is the non-occurrence of airplane accidents in the period.

The second is the performance compared to corporate goals, transversal to the business, whose fulfillment depends on the experience and performance of various departments. Such is the case of security, one of the key topics for LATAM. The variable compensation of all executives is linked to security commitments, varying based on the type of goal, and on the department that the professional is attached to. Other topics that are part of the goals of more than one department are on-time performance, customer satisfaction, organizational climate and engagement, financial performance, and cost efficiency and productivity, all of them related to the Group's material topics.

The third level encompasses the goals defined by field of action and individual performance, but some topics are repeated. One example is employee security: since 2018, executives in every department share performance goals related to the rate of work injuries.

SUSTAINABILITY POLICY

The Sustainability Policy, created in 2016 and approved by the Board, links the management of various aspects of sustainability to doing business, and gathers the main guidelines and principles that must act as reference for executives to use in structuring and implementing strategies and actions for sustainable development.

The document considers various standards, procedures, and external commitments that also gauge the management of sustainability on a daily basis. The main ones are:

> **ISO 26000 standard:** the international Corporate Social Responsibility standard;

> **Global compact principle:** a United Nations Organization initiative to encourage the adoption of corporate responsibility practices in the fields of human rights, labor rights, the environment, and anti-corruption. LATAM is a signatory to the Compact and monitors the progress of the corresponding topics (*see* page 111);

> **Sustainable Development Goals:** global development agenda promoted by the UN, which defines 17 goals and 169 targets related to the eradication of poverty, food security, health, education, gender equality, reduction of inequality, energy, climate change, sustainable cities, and inclusive economic growth, among other topics (*see* page 54);

> **Guiding Principles on Business and Human Rights:** prepared by John Ruggie, Special Representative of the United Nations General Secretary, which sets forth parameters and guidelines to ensure the protection, respect, and remediation of human rights in the business world;

> **Tripartite Declaration of Principles concerning Multinational Companies and Social Policy:** Initiative by the International Labor Organization (ILT) aimed at promoting the active participation of multinational companies in driving economic and social progress, while minimizing the negative effects of their activities;

> **The Guidelines of the Organization for Economic Cooperation and Development (OECD) for Multinational Companies:** document including recommendations for companies and governments that brings together principles and voluntary standards to ensure a business conduct in line with the laws and best international practices;

> **Global Reporting Initiative (GRI):** international multistakeholder organization committed to standardization and ongoing improvement in managing and communicating sustainability at companies and organizations of different sizes and in different sectors. Responsible for drafting the GRI methodology, used worldwide in sustainability reports.

THE UN'S GLOBAL COMPACT AND SDGS ARE TWO OF THE INTERNATIONAL GUIDELINES BEHIND THE SUSTAINABILITY POLICY.

HUMAN RIGHTS

According to the UN, human rights are "inherent to all human beings, whatever our nationality, place of residence, sex, national or ethnic origin, color, religion, language, or any other status". The concept encompasses, for instance, the right to life, to freedom, to not suffer slavery or torture, to freedom of expression, to work, and to education, among others, and applies to all people, no exceptions.

LATAM is committed to the topic, both in its operations and its relations, and actively fosters respect for human rights and non-discrimination. The Group complies strictly with the legislation of the various countries where it is present, and runs its business under ethical principles and commitments subscribed externally. Year on year, it seeks to make consistent progress regarding the governance of this topic—with clear and transparent positions—and in its management by identifying, preventing, and mitigating risks of violation.

The work done in 2018 was an important framework, with the drafting of LATAM's Declaration of Commitment on Human Rights, which is based on the main international standards on the topic, such as the Universal Declaration of Human Rights, the United Nations Charter, and the Fundamental Principles and Rights at Work, adopted by the International Labor Organization (ILO).

This document, applicable to all the company's operations and its employees, states ten basic principles and establishes consequences in case of breach. Some of the basic principles are: rejection of child labor, bonded labor, and slave labor, and situations of moral, physical, and sexual harassment; and the commitment to union freedom, to the health and safety of the Group's professionals, and to fair compensation and adequate work conditions for all employees. This last point will also be discussed in the Compensations Policy, currently being drafted, which will bolster the criteria that LATAM has adopted regarding pay equity.

The new corporate statement will also be disclosed to third-party professionals, institutions that are related to the Group in any way, and suppliers, including those who interact with government agencies on behalf of LATAM (TPI). The document will be reviewed by the vice-president of Human Resources and later presented to the Group's Management Board.

Another achievement in 2018 was the creation of the human rights risk matrix, which enables each operation to identify, quantify, and prioritize risks, as well as adopt mitigation measures. An initial risk analysis has already been carried out in LATAM Peru, and it will be replicated throughout LATAM's various operations to be the guide for mitigation actions.

LATAM'S DECLARATION OF COMMITMENT TO HUMAN RIGHTS DEFINES TEN BASIC PRINCIPLES THAT ARE MANDATORY FOR ALL THE GROUP'S OPERATIONS.

STRATEGIC AUDIENCES [101-13 and 102-40]
Employees, customers and passengers, suppliers, public and regulatory agencies, and investors are the main players in LATAM's value chain. With each of them, the Group maintains regular interactions, which are aimed to ensure value generation for all parties involved. Always based on precepts such as dialogue, transparency, and joint evolution, these interactions follow systematized guidelines such as those set forth in the Sustainability Policy and are broadcast through the various contact and communication channels.

[+] To learn more, please view the specific information regarding employees, customers, suppliers, and investors.

LATAM is also in constant talks with sector organizations and public and regulatory agencies, seeking to define strategies and paths that can benefit not only the organization, but the whole aviation industry and, more generally, society. The Group also participates through memberships in representative entities that foster initiatives for strategic debate and joint creation of solutions, and it collaborates in the discussion of public policies and regulations affecting the sector. In 2018, financial contributions to the entities totaled US$1.60 billion. The entities that received the largest contributions were: Associação Brasileira das Empresas Aéreas (ABEAR), Latin American and Caribbean Air Transport Association (ALTA), International Air Transport Association (IATA), and Asociación de Transporte Aéreo de Colombia (ATAC).

[+] The full list of the associations in which LATAM participates are found in the Appendices.

MAIN TOPICS
In 2018, LATAM continued to work, both individually and through the entities that represent the sector, on topics such as the improvement of airport infrastructure and of necessary infrastructure to guarantee passenger mobility between airports and urban centers, as well as on the reduction of shipping rates and other related taxes, which have a direct bearing on the expansion potential of the aviation market and of LATAM itself. With regard to airport taxes, in some countries where LATAM Group operates, they can amount to over 40% of the total value of airfares. This issue has been intensely worked on in Chile, Peru, and Colombia. In 2018, the Chilean government announced a reduction in shipping rates, which is to be gradually implemented until 2020, and will have a favorable effect on the increase in demand for air transport in the country.

In the Brazilian context, the agenda related to the costs of jet fuel, the industry's main input, was noteworthy, as its high prices have a significant effect on the competitiveness of the sector's companies. The Group also adheres to local regulations linked to the generation of ancillary revenues, in the case of charges for seat selection and baggage handling, tax issues, and those linked to the mitigation of environmental effects in the sector.

INFRASTRUCTURE: CONTEXT AND OUTLOOK
In addition to the increase in capacity and the improvement in its network's connectivity, the investments to improve infrastructure at the airports where LATAM Group operates are key factors to guarantee the Group's growth strategy. Currently, at the Santiago (Chile) airport, one of LATAM Group's main hubs, a second terminal is under construction, which will span 195 thousand m2 and harbor all international flights. The first stage of the works was completed in late 2018, and construction must be completed in 2020. Another expanding airport is the one in Lima (Peru)—construction works on the new terminal and on a second landing and take-off strip should be completed by 2024. The Guarulhos (Brazil) and Ezeiza (Argentina) terminals also have scheduled investments for the next two years.

LATAM Group is in constant talks with the concessionaires that manage the airports, as well as with the other relevant authorities, seeking to guarantee that the works underway will generate the least amount of disturbance to passengers, and have the least impact possible on customers' experience. Roundtables are also organized with professionals from different departments of the company to define, together with the concessionaires, the location of LATAM's operating and service structures once the new terminals and tracks are inaugurated.

MEASURING PERFORMANCE

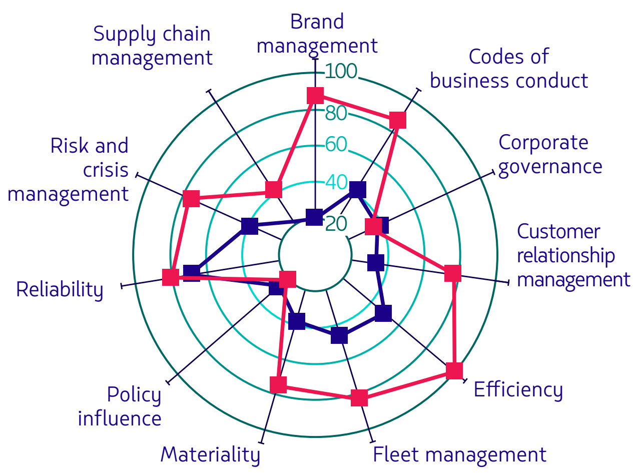
To monitor the evolution of each of the topics of sustainability management, LATAM considers the performance achieved annually on the Dow Jones Sustainability Index (DJSI), main international benchmark used by investors to assess the sustainability practices of large companies.

The index adopts the methodology known as Best in Class, which analyzes the largest public companies in various sectors and countries regarding governance management, as well as long-term economic and financial, social, and environmental practices. The analysis is conducted by RobecoSAM, the investment consultancy specialized in sustainability, and results in a final list featuring the organizations considered to be leaders in the aspects mentioned.

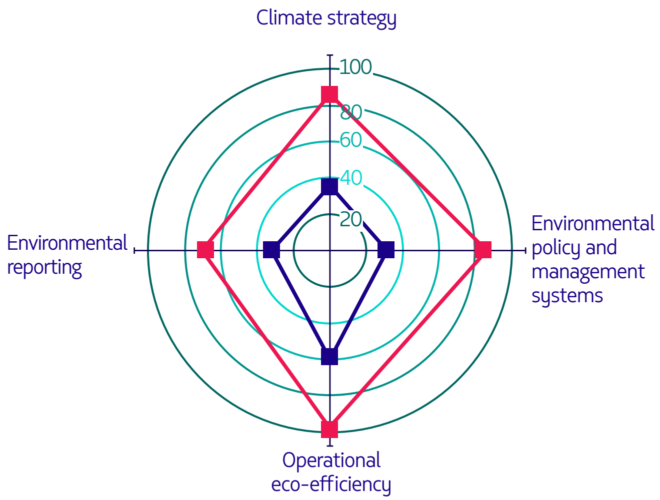
In 2018, for the fifth consecutive year, LATAM was included in the World category of the DJSI, comprised of 29 companies. LATAM is one of the two Chilean companies and the only airline group in the American continent included in the index.

FOR THE FIFTH CONSECUTIVE TIME, LATAM IS INCLUDED IN THE WORLD CATEGORY OF THE DJSI. IT IS THE ONLY COMPANY IN THE SECTOR IN THE AMERICAN CONTINENT THAT IS INCLUDED IN THE INDEX.

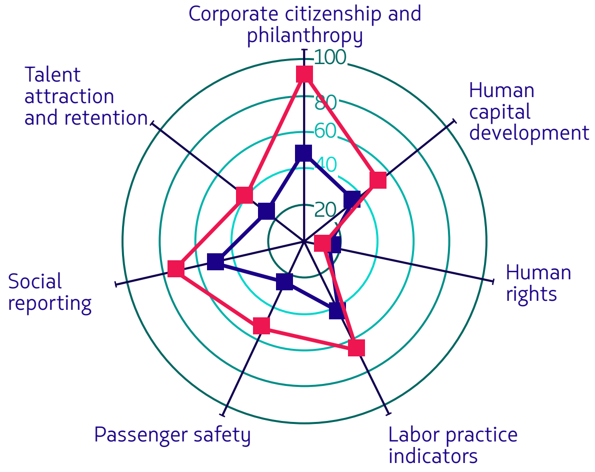
ECONOMIC DIMENSION



ENVIRONMENTAL DIMENSION



SOCIAL DIMENSION



■ LATAM ■ Industry average

LINK TO THE SDGS

The Sustainable Development Goals (SDG), established by the United Nations Organization (UNO), are a benchmark for LATAM's Sustainability Policy and a commitment for the Group. LATAM supports the initiative since its launch in 2015, and has incorporated the topic into its management.

The first experience took place in 2017 and consisted in analyzing its material topics in the light of the 17 goals defined by the UN to identify convergences. In 2018, the analysis spread to the 169 objectives related to SDGs, in a detailed study of the links between SDGs and the Company's actions, programs, and projects. Various initiatives and commitments that are already in place were identified; these contribute to the achievement of objectives related to six goals.

The main correlations are presented on the next page and regard the objectives focused on clean and accessible energy; decent work and economic growth; sustainable cities and communities; responsible consumption and production; action to combat global climate change; and peace, justice, and reliable institutions. These topics are more directly related to the nature and activities of the business, where the Group has the greatest potential to contribute to the implementation of the global agenda.

There are, moreover, other SDGs and objectives to which LATAM contributes indirectly or to a lesser extent. Support to enable the use of biofuels in aviation and the systems to manage emissions, waste, and water consumption in place in the company contribute, for instance, towards the achievement of the objectives that seek to boost sustainable systems for food production, better quality water, and reducing deaths and illnesses caused by hazardous chemical products, air, water, and soil pollution. Within the scope of its corporate citizenship strategy, LATAM also works to guarantee quality education for young people and adults, and to foster decent employment and enterprising—both issues included in the UN agenda. In addition, the Group is in constant dialogue with other stakeholders to foster topics that interest all society (climate change, mobility, security, and airport infrastructure), thus cooperating towards the achievement of the SDG on the creation of partnerships and ways to implement the proposed objectives.

AN INTERNAL EXERCISE IDENTIFIED 12 SDGS TO WHICH LATAM CONTRIBUTES MORE DIRECTLY.

How LATAM contributes to the SDGs

⇧ *Goal for 2030*[1]
⇨ *LATAM initiative*

7 AFFORDABLE AND CLEAN ENERGY

⇧ Goal 7.2 **To increase the share of renewable energand within the group of energand sources**
⇨ Support for fuels with lower environmental impact, such as biofuels (page 83)
⇨ Shift to renewable energand in the maintenance base and headquarters building

8 DECENT WORK AND ECONOMIC GROWTH

⇧ Goal 8.7 **To eradicate bonded labor, contemporarand slaverand, and human trafficking, as well as to eliminate the worst forms of child labor**
⇨ Diagnosis on the risks and opportunities related to topics of diversity and human rights in the context of the organization and in its relations with the value chain (page 51)
⇨ Commitment explained in the company's Code of Conduct, in the Suppliers Code of Conduct, and in the supplier management requirements and systems (pages 30, 67 and 68)

⇧ Goal 8.9 **To foster sustainable tourism that will create jobs and promote the local culture and products**
⇨ *Cuido mi Destino*, program, which fosters education aimed towards sustainable development, including topics such as enterprising and preservation of the cultural and natural heritage (page 99)

11 SUSTAINABLE CITIES AND COMMUNITIES

⇧ Goal 11.2 **Access to safe, accessible, sustainable, and affordable transportation for all**
⇨ Management of the network destination focused on connectivity (page 13)
⇨ Sales model and rates adjusted to different customer profiles (page 70)
⇨ Operating safety management (page 94)

⇧ Goal 11.4 **To safeguard the world cultural and natural heritage**
⇨ One of the fronts of the *Cuido mi Destino* program is the preservation of the cultural and natural heritage of the regions where LATAM operates (page 99)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

⇧ Goal 12.2 **Sustainable management and efficient use of natural resources**
⇧ Goal 12.4 **Chemical product and waste management throughout their lifecycle**

⇧ Goal 12.5 **Reduce waste generation**
⇨ Environmental management, which includes: efficiency in fuel use; rational use of water and energy; reduction and compensation of greenhouse gas emissions; reduction and responsible waste management, including innovative on-board recycling initiatives (page 75)

13 CLIMATE ACTION

⇧ Goal 13.1 **Resilience and ability to adapt to climate change**
⇧ Goal 13.2 **To incorporate measures related to climate change into national policies, strategies, and plans**
⇧ Goal 13.3 **Education, sensitization, and human and institutional capacity regarding climate change**
⇨ Identifying related risks and opportunities (page 80)
⇨ Clear commitment to sectoral initiatives (page 81)
⇨ Efficient use of jet fuel (page 82)
⇨ Offsetting of greenhouse gas emissions (page 79)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

⇧ Goal 16.5 **To reduce all forms of corruption and bribery**
⇨ Establishment and clear rules: policies, guidelines (page 29)
⇨ Training and commitment regarding the issue (page 30)

1 For reasons of space, the sentence of the goals has been edited; the full sentence is available at http://www.un.org/sustainabledevelopment/sustainable-development-goals/

OUR BUSINESS

INDUSTRIAL CONTEXT

The growth of world economic activity during 2018 slowed down, given a sharper reduction than expected in the growth of advanced economies, and the slowdown in emerging market economies, partly due to the contractions in Argentina and Turkey, and the impact of the commercial measures in China and other Asian economies. Tensions in international commerce marked a significant milestone in the year.

On the other hand, revenues from the global aviation industry showed a good overall performance during 2018, mainly thanks to good growth in demand measured in RPK, which reached 6.5% above the average growth, despite being a slower rate than in 2017 (8.0%)—and a 0.4 percentage-point rise in the load factor, once again reaching an annual record high value of 81.9%. These results are in contrast with the increase in industry costs, mainly in fuel. Thus, the global industry's operating profit is estimated at US$55.8 billion (below the US$57.8 billion achieved in 2017), whereas net profit is estimated to have reached US$32.3 billion (below the US$37.7 billion reported in 2017).

With regard to the various geographic markets, North American airlines showed the best results in terms of profit, thanks to a stronger economic juncture, which favored both domestic and international demand. Moreover, carriers benefited from their capacity discipline, managing to increase their load factor to 83.8%.

In Europe, despite showing high growth levels in passenger traffic (6.6% year over year—YOY), given that it is the second region with the highest growth after Asia Pacific, demand was hampered throughout the year by the economic uncertainty bred by the lack of clarity on Brexit.

Once again Asia Pacific was the region with the highest growth in terms of passengers (8.6% YOY), despite climatic events that affected the region in the second half of the year.

In Latin America, passenger traffic grew 6.2% YOY, slightly below the global average in 2018. Traffic was affected by general stoppages in Brazil and the economic slowdown in some countries of the region. Excluding the specific effects of the stoppages, the aviation industry benefited from a recovery in the Brazilian economy which, together with a good capacity discipline, helped to achieve all-time record high load factor levels of 81.9% in the region. However, the hike in fuel prices pressured net profit, leaving Latin America with a net profit of US$0.4 billion, below the US$0.5 billion reported in 2017.

Given the industry's current structure, the International Air Transport Association (IATA) expects better net profits for the world's aviation industry in 2019, settling around US$35.5 billion, with an operating margin of 6.8%. This improvement could be mainly explained by stronger economic growth worldwide, which would drive growth in yields and help to compensate for higher unit costs. In addition, lower fuel prices are expected in 2019, although IATA has warned that the benefit will not be immediate, given the hedges already taken out by the airlines during 2018 at higher prices. We must note that emerging economies—mainly Asia Pacific, the Middle East, and Latin America—will remain the drivers of global traffic growth in 2019. This trend should remain over the next 20 years, given the economic growth projections of these regions, as well as the low penetration of air travel in their countries.

[+] Other relevant information is available in the Appendices:
> Regulatory framework;
> Material facts.

FINANCIAL RESULTS

LATAM Airlines reported a net profit of US$181.9 million in 2018—the highest net profit in LATAM Group's history since the combination of LAN and TAM. This result, which was 17.1% higher than the figure from 2017, was achieved despite higher fuel costs by US$664.2 million and a negative F/X effect of US$157.7 million. Operating profit was US$705.1 million in 2018, which translated into an operating margin of 6.8%, similar to the 7.0% achieved in 2017.

During 2018, revenues totaled US$10.36 billion—a 2.0% increase compared to 2017—explained mainly by the 2.5% increase in passenger revenues and a 6.0% rise in cargo revenues, largely compensated by a 14.0% drop in other revenue. This recovery in revenues is mainly due to a 5.0% hike in passenger capacity measured as ASK, partly compensated by a 2.4% decrease in RASK (revenue per available seat-kilometer).

The drop in RASK is attributed to a slower macroeconomic scenario in some countries in South America during 2018, added to the volatility and depreciation of some local currencies (particularly the Brazilian real and the Argentinian peso), mainly affecting international passenger demand. Moreover, the load factor reached 83.1%, translating into a 1.7 percentage-point decrease from the previous year.

On the other hand, the 5.0% growth in capacity was a result of growth in all of LATAM's business unit, this being the first time that the Group has achieved growth in all its markets since the combination of the businesses. During 2018, growth focused on the international business, where LATAM Group increased its capacity by 6.1% vs. 2017 through the launch of new international destinations connecting with its hub in São Paulo-Guarulhos, such as Rome, Lisbon, Boston, and Tel Aviv, among others. On the other hand, LATAM Airlines Brazil increased its capacity on the Brazilian domestic market by 3.7%, mainly from the Guarulhos airport. Last, capacity in Spanish-speaking domestic markets grew 3.5%, mainly in Ecuador, Peru, and Colombia. We should note that LATAM grew less than expected in the Chilean domestic market given the operating impact from the crew members strike during April 2018.

Cargo revenues totaled US$1.18 billion, translating into a 6.0% increase vs. 2017. This hike is due to a 1.2% increase in yields and a 4.7% rise in traffic measured in RTK. The rise in yields continues to reflect signs of recovery in the environment for the cargo business on a global level, partly compensated by the negative impact on imports from the devaluation of the Argentinian peso and the Brazilian real.

On the other hand, revenues showed a US$77.1 million decrease vs. 2017, mainly due to the effect of implementing accounting standard IFRS 15 this year, added to the effect of the Brazilian real's depreciation on the revenues from the loyalty program in Brazil and lower income from leasing of aircraft to third parties. This was partly countered by higher revenues from the sale of aircrafts and other assets.

Operating costs reached US$9.66 billion in 2018, a 2.3% increase compared to 2017, mainly due to higher spending on fuel by US$664.2 million. Despite this increase, the Group's cost per ASK decreased by 2.6% vs. 2017.

Fuel expenses increased 28.6% in 2018, totaling $2.983 billion. This increase is explained by a 25.1% hike in spending per gallon and a 4.2% increase in the number of gallons consumed. This was partially compensated by a US$47.3 million gain from hedges, compared to a US$5.3 million gain from hedges in the previous year.

Spending on compensation and benefits decreased by 10.1% due to a 3.9% reduction in the average payroll for the period, in line with the Company's ongoing expense control initiatives and due to the devaluation of the Brazilian real and the Argentinean peso during the year.

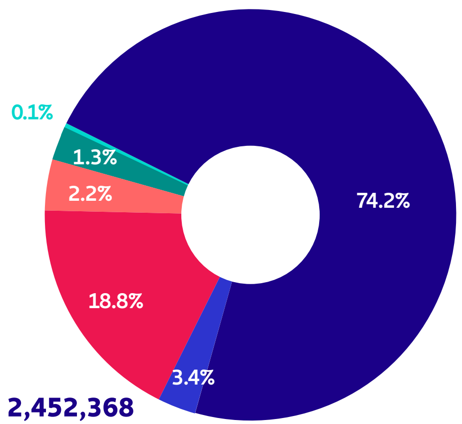
As for non-operating results, the Company reported a cash loss due to a currency exchange difference of US$157.7 million in 2018, mainly explained by the depreciation of the Brazilian real and the Argentinean peso during the year. This drop was significantly larger than in 2017, when the impact from this concept was US$18.7 million.

Thus, LATAM reported a net gain of US$181.9 million attributable to the holders, compared to a US$155.3 million gain in 2018. This implies a positive net margin of 1.8%, translating into an increase of 0.3 percentage points compared to the net margin for 2017.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (THOUSANDS OF US$) – 2018 [201-1]

Revenues	10,368,214
Goods acquired from third-parties	6,860,100
Gross economic value	3,508,114
Retentions	981,645
Net economic value	2,526,469
Economic value received in transfer	53,253
Economic value generated	2,579,722
Economic value distributed	2,452,368
Distribution of economic value	
Employee salaries and benefits	1,819,969
Taxes and contributions	83,782
Interest and rent	461,343
Interest on capital and dividends	54,581
Minority interest	31,312
Community investments	1,381
Retained economic value	127,355

DISTRIBUTION OF ECONOMIC VALUE (%) [201-1]



TOTAL: 2,452,368

- Employees
- Governance
- Capital suppliers
- Compensation on shareholders' equity
- Minority shareholders
- Society

Snapshot

MAIN INDICATORS [102-7]	2016	2017	2018
FINANCIAL (THOUSANDS OF US$)			
Operating income	9,527,088	10,163,796	10,368,214
Operating expenses	(8,959,185)	(9,449,262)	(9,663,095)
Operating result	567,903	714,534	705,119
Net Profit	6,922	155,304	181,935
Net Margin	0.7%	1.5%	1.8%
EBITDAR	2,097,210	2,295,710	2,225,111
EBITDAR margin	22.0%	22.6%	21.5%
Cash and cash equivalents[1]/revenues last 12 months	19.0%	20.3%	19.3%
Financial leverage[2]	5.3 X	4.5 X	4.3 X
OPERATIONS			
Passenger operations			
Capacity (ASK) — million	134,968	136,398	143,265
Consolidated traffic (RPK) — million	113,627	115,693	119,077
Load factor (ASK)	84.2%	84.8%	83.1%
Revenue/ASK (US$ cents)	5.8	6.2	6.1
Total PAX transported (thousands)	66,960	67,146	68,806
Cargo operations			
Capacity (ATK) — million	6,704	6,230	6,498
Consolidated traffic (RPK) — million	3,466	3,421	3,583
Load factor (ASK)	51.7%	54.9%	55.1%
Revenue/ATK (US$ cents)	16.6	18.0	18.3
Tons transported (thousands)	944	896	921

1 Including the revolving credit facility.
2 Adjusted net debt/EBITDAR (last 12 months).

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STOCK INFORMATION

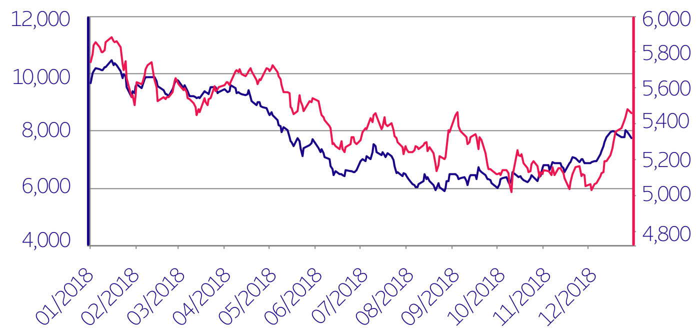
During 2018, the local shares of LATAM Airlines Group showed a negative performance of 19.9%; likewise, the ADR's profitability retreated 28.6%. At December 31, 2018, the Company's market capitalization was US$6.24 billion. During 2018, the shares of LATAM Airlines Group showed lower profitability to the IPSA, whose profitability was a negative 5.0% in the period. As for the stock's movement in the Santiago Stock Exchange, this year the shares of LATAM Airlines Group showed 100% market presence.

VOLUMES TRADED BY QUARTER—LOCAL STOCK (SANTIAGO STOCK EXCHANGE)

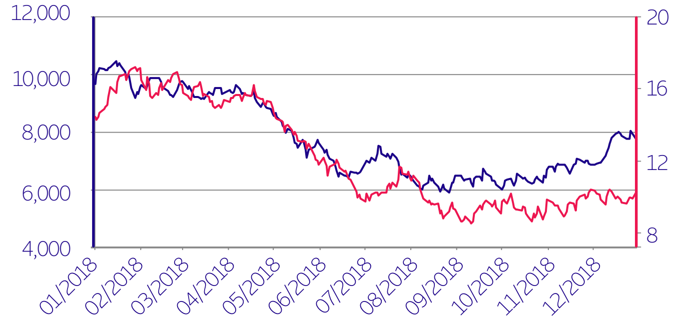
2016	N° of shares traded	Average price(CLP)	Total sum (CLP)
First quarter	28,689,255	4,073	116,838,645,700
Second quarter	22,564,404	4,492	101,366,302,500
Third quarter	64,835,131	5,463	354,183,531,700
Fourth quarter	27,691,478	5,975	165,468,048,100
2017			
First quarter	43,655,851	6,655	284,991,986,800
Second quarter	30,259,560	8,035	240,451,798,500
Third quarter	29,094,196	7,965	234,898,104,000
Fourth quarter	37,823,823	8,498	320,108,505,000
2018			
First quarter	31,387,363	9,133	286,645,092,598
Second quarter	47,657,233	6,479	308,773,595,469
Third quarter	32,942,547	6,277	206,770,484,755
Fourth quarter	38,440,069	6,923	266,120,597,687

VOLUMES TRADED BY QUARTER ADR (NYSE)

2016	N° of shares traded	Average price(CLP)	Total sum (CLP)
First quarter	32,739,012	5.8	191,001,755
Second quarter	33,327,301	6.6	220,695,139
Third quarter	42,231,494	8.2	350,640,203
Fourth quarter	30,197,724	8.9	270,233,009
2017			
First quarter	24,889,893	10.1	254,166,511
Second quarter	32,015,881	12.1	384,720,373
Third quarter	27,902,087	12.4	347,933,436
Fourth quarter	33,450,067	13.4	446,780,362
2018			
First quarter	24,359,603	15.4	374,894,290
Second quarter	41,119,176	9.9	406,463,055
Third quarter	28,539,124	9.4	268,125,070
Fourth quarter	30,770,709	10.3	316,784,449



Local share (CLP)
IPSA Index



Local share (CLP)
ADR (USD)

RISK MANAGEMENT

LATAM's Corporate Risk Policy defines the main aspects to be monitored, the mitigation instruments, and the function and responsibility of those involved in its management. The management carried out in the various countries, aimed at the local specifications, and following the same standards and tools for identification, monitoring, and report, is added to the work done by the corporate team devoted to this issue. In the larger operations—Brazil, Chile, and Argentina—this management is carried out by the financial department, which issues periodic reports to the country CEO and the corporate team.

One of the main forums for this issue is the Risk Desk, integrated by professionals from different departments who meet twice a year to analyze strategic issues with high impact potential. The Desk submits annual reports to the Executive Committee.

Internal Auditing assists the risk management tasks and, when necessary, includes the mapped issues as relevant in its monitoring processes.

In 2018, there were 58 strategic risks—including transversal and emerging ones—mapped in LATAM's risk matrix, which establishes the probability of occurrence of a given risk against its potential impact on the operation. They are divided into 13 categories, covering financial, environmental, security, and regulatory topics, among others. As this is a dynamic process, the risk matrix undergoes periodic revisions.

The vision is complemented by specific matrices aimed at the day-to-day risks of each department, such as Compliance or Security.

EMERGING RISKS

LATAM's relations with the suppliers of services deemed essential to the continuity of the business is based on a broad process of monitoring and control. The Procurement department leads the actions to prevent interruptions in supply, an unexpected termination of contract, or any other issue that may affect LATAM's operations. Among the mitigation practices, there are specific clauses within LATAM's anticorruption policy that must be met by suppliers: the requirement of additional guarantees in some contracts and industry certifications from the sector in which the partners operate. The Group also periodically monitors the quality of the service rendered and suppliers' performance, and carries out audits and due diligence processes.

With regard to another risk deemed emerging—cybernetic security—there is a dedicated internal program, reviewed on an ongoing basis, to incorporate new procedures whenever necessary. The forms of mitigation include the use of advanced antivirus technology, preventive 24-hour monitoring every day of the week, setting control perimeters that prevent the entry of unidentified personnel to the sites where the Group's information technology systems are located, and the engagement of a specific insurance against possible cybernetic attacks.

The issue is managed by the Information Security management, with the assistance of a multidisciplinary committee (more information on the next page), which is in charge of cybernetic security, IT risks, and other related issues. There is also an employee awareness program and a series of internal standards, such as the PCI LATAM Security Standard, a requirement to obtain the international certification PCI Compliance, which regulates issues regarding the protection of consumers' credit and debit card information.

[+] The full list of the main risks is in the Appendices.

INFORMATION SECURITY

LATAM is committed to information security and the protection of customer data. A breach of confidentiality poses a relevant reputational risk for the Group; therefore, it has adopted a series of measures to mitigate this risk. The Code of Conduct includes a specific topic on privacy, confidential information, and insider trading. Thus, it has Information Security and Information Privacy and Security Classification policies, the latter of which is also available on the corporate website.

The Group also has a series of related standards, such as the Information Security Incident Management Standard and the PCI LATAM Security Standard, defined in 2018 so the Group can obtain international certification PCI Compliance, which regards the protection of consumers' credit and debit card information.

Employees have access to these documents through the corporate website and they often take e-learning trainings. They can also discuss any questions directly with the Information Security management. Likewise, this management is responsible for the activities of a committee devoted to this issue, which also includes professionals from other departments, such as Risk Management, Legal Affairs and Compliance, Investor Relations, and Technology. It also submits periodic reports to other administrative bodies, and permanently monitors the issue, as well as having structured contingency plans. In the last three years, LATAM registered no significant security breaches regarding its customers' information.

ADDITIONAL INFORMATION

Aviation insurance: LATAM has Aviation, Hull, and Legal Liability Insurance, which covers all risks inherent to commercial aviation, such as the loss or damage of aircraft, engines, spare parts, and third-party liability (passengers, cargo, baggage, airports, etc.).

After the association between LAN and TAM, the insurance of both companies was acquired by LATAM Airlines Group, which continued the practice that LAN adopted in 2006 together with IAG (which comprises British Airways, Iberia, and their subsidiaries and franchisees). The increase in business volumes translated into better coverage and lower operating costs.

General insurance: Covering various risks that could affect the company's equity, which is protected by a multi-risk insurance (including risk of fire, theft, information equipment, security remittances, and others, based on the coverage of all risks), car insurance, air and maritime transport insurance, and civil liability insurance. Moreover, the company has life and accident insurance contracts covering its staff.

Customers: No single LATAM client individually represents over 10% of its sales.

Suppliers: In 2018, three external suppliers individually represented over 10% of their category – Intercargo S.A.C. (airport); Gate Gourmet (provisioning and catering) and CAE Training (external services).

Trademarks and patents: The Company and its affiliates use various trademarks, which are duly registered before the relevant bodies in the various countries where they carry out their operations or which are their origin and/or destination, in order to distinguish and market their products and services in said country. Among the main brands are: LATAM Airlines, LATAM Airlines Argentina, LATAM Airlines Brazil, LATAM Airlines Chile, LATAM Airlines Colombia, LATAM Airlines Ecuador, LATAM Airlines Peru, LATAM Cargo, LATAM PASS, LATAM Fidelidade, and LATAM Travel, to name a few.

INVESTMENT PLAN

In the last few years, the Company has been adjusting its future fleet commitments by postponing aircraft orders. During 2018, LATAM restructured its fleet plan even further, achieving a US$2.2 billion reduction in commitments for the 2018-2021 period, equivalent to a 41% reduction in the overall fleet commitments for this period. This restructuring also seeks to adjust the capacity of current market conditions in Latin America and is in line with the Company's focus on maintaining a healthy balance sheet and adequate liquidity.

During 2019, LATAM expects to increase its fleet by 9 A320Neo, 4 A350-900 airplanes, and 2 Boeing 787-9 aircraft, totaling US$1.19 billion, roughly US$540 million of which will be CAPEX.

Moreover, LATAM expects to invest around US$750 million in non-fleet CAPEX during 2019, including intangible assets, maintenance, engine and spare part investments, as well as the cabin renovation of its Boeing 767, Boeing 777, and A320-Family models.

AT DECEMBER 31

	2018	2019E	2020E	2021E
PASSENGER FLEET				
Short-haul				
Airbus A319-100	46	46	45	44
Airbus A320-200	126	122	121	111
Airbus A320-Neo	4	13	18	24
Airbus A321-200	49	49	49	49
Airbus A321-Neo	-	-	4	9
Total	**225**	**230**	**233**	**234**
Long-haul				
Boeing 767-300	35	30	28	28
Airbus A350-900	7	10	12	15
Boeing 777-300 ER	10	10	10	10
Boeing 787-8	10	10	10	10
Boeing 787-9	14	16	18	20
Total	**76**	**76**	**79**	**83**
CARGO FLEET				
Boeing 767-300F	9	9	10	10
Total	**9**	**9**	**10**	**10**
TOTAL FLEET IN OPERATION	**310[1]**	**315**	**321**	**327**

1 Excluding two Boeing 777-200 leased to Boeing Capital.

	2018	2019E	2020E	2021E
SUBLEASES				
Airbus A320-200	5	5	5	5
Airbus A350-900	2	3	1	–
Boeing 767-300F	1	2	2	2
TOTAL SUBLEASES	**8**	**10**	**8**	**7**

	2018	2019E	2020E	2021E
TOTAL FLEET	**318**	**325**	**329**	**334**
FLEET COMMITMENTS (US$ MILLION)	**311**	**1,197**	**708**	**1,118**

SUPPLIERS

KNOWING THE CHAIN [102-9]

LATAM does business with 32.3 thousand suppliers of various sizes and from various countries, who are an important element in materializing the company's value promise. In the business environment, supplier relations seek to ensure regular access to high-quality products and services, at competitive prices, strict compliance with deadlines, and a performance in line with legal standards and the Group's ethical values. In a wider scope, interaction with that group is a fertile environment to spread good sustainability management practices and foster the regions' economic development.

The supply chain's management is divided into 21 categories, grouped as follows:

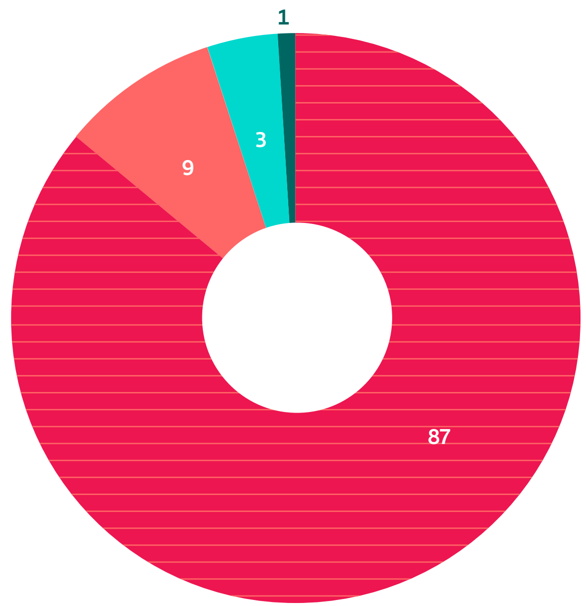
> technical purchases (directly related to business operations), such as: fuels; fleet and engines; engineering services; consumables and spare parts; PMA (Part Manufacturer Approval); wheels, brakes, tires and avionics; on-board entertainment; seats, materials, and trim; sales; larger components, such as landing gear; repair, exchange, and rental of certain components made available via a *pool* system by suppliers); and non-pool purchases (tools and other types of components);

> non-technical purchases (related to support activities), such as: administration; airport; provisioning and catering; infrastructure; hotels; marketing and uniforms; external services; professional services; technology and systems; and transportation.

The companies that supply essential or difficult to replace components to the operation, with annual contracts exceeding US$1 million, or interacting with government agencies on behalf of LATAM (known as TPIs), are classed as critical suppliers and follow specific contract analysis and monitoring parameters. In 2018, critical suppliers represented 2% of LATAM's total active supplier base, and they stood for 73% of the Group's total purchases.

[+] For further information on risk monitoring in the supply chain, please refer to pages 61 and 67.

GEOGRAPHIC DISTRIBUTION[1] (%)

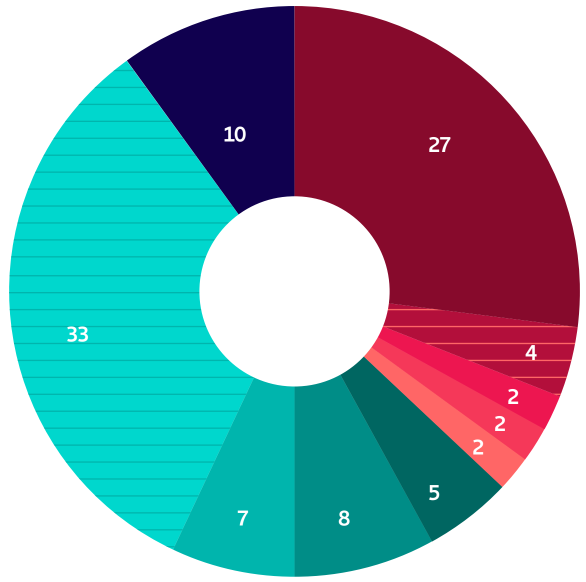


Argentina, Brazil, Chile, Colombia, and Peru
Other countries in America
Europe and Africa
Asia and Oceania

TOTAL: 32,296 suppliers

1 Based on the location of the company's headquarters.

PURCHASE VOLUMES (%)



TOTAL: US$9.6 BILLION

1 Ground handling services for aircrafts, passengers, and cargo.

In terms of purchase volumes, LATAM's main suppliers are aircraft builders Airbus and Boeing.

Suppliers of aircraft accessories, spare parts, and components are also relevant partners, including: Pratt & Whitney, MTU Maintenance, Rolls-Royce, Pratt and Whitney Canada, CFM International, General Electric Commercial Aviation Services Ltd., General Electric Celma, General Electric Engines Service, Honeywell, Israel Aerospace Industries (engines and auxiliary power units – APU); Zodiac Seats US, Recaro, Thompson Aero Seating (seats); Honeywell and Rockwell Collins (avionics and APU); Air France / KLM, Lufthansa Technik (maintenance, repair, and operations components – MRO); Zodiac Inflight Innovations, Panasonic and Thales (on-board entertainment); Safran Landing Systems, AAR Corporation (landing trains and brakes); UTC Aerospace and Nordam (engine mount).

Among fuel suppliers, the main ones are: Raízen, Petrobras, Air BP-Copec, World Fuel Services, AirBP PBF, YPF, Terpel, Repsol, CEPSA, and Vitol.

US$9.6 BILLION WAS THE TOTAL INVESTED WITH THE GROUP'S BUSINESS PARTNERS.

RISK MANAGEMENT [308-2 and 414-2]

A matrix identifies potential risks related to each of the 21 purchase categories. This mapping includes, for instance, topics related to financial health, ethical conduct, and labor, human rights, fiscal, industry, health, and environmental standards. All supplier categories are subjected to a sustainability risk analysis. Of the suppliers monitored by Procurement (11,964), 598 (5%) were identified as high risk in sustainability issues, whereas with 152 (1.3% of the monitored and 5% of the risk group) LATAM agreed specific mitigation plans or actions.

To follow up on suspicions in cases of unfair competition, corruption schemes, financing to terrorism and drug trafficking, child or slave labor, and environmental nonconformities, LATAM uses an international database lookup system. The review is carried out before the start of each contract and on a monthly basis for suppliers with active contracts.

Using automatic system alerts, the Compliance department performs a detailed analysis of the case. If the risk is confirmed, the company adopts corrective measures, that may range from establishing plans of action together with the supplier to even terminating the contract.

During 2018, the system carried out 12 thousand analyses, which resulted in 729 alerts, currently under detailed analysis by the Compliance team.

The follow-up system is complemented with periodic audits, with specific requirements and parameters for different product or service categories in the fuels, handling, and catering categories. In the year, LATAM carried out 152 audits, which generated 1,079 improvement plans.

PREVENTION AND MONITORING

In a process of ongoing evolution, LATAM established monitoring goals and indicators for supplier manager in 2019. These are:

> Carrying out a preventive analysis of the whole universe of suppliers monitored by the Procurement department;

> Reducing the number of suppliers that generate alerts in the preventive analysis system;

> Carrying out a level 2 due diligence of all critical suppliers who were the subject of an alert.

12,000

ANALYSES, WHICH RESULTED IN 729 ALERTS, CURRENTLY UNDER DETAILED ANALYSIS BY THE COMPLIANCE TEAM.

Snapshot [102-10]

SUPPLY CHAIN	2016	2017	2018
LATAM supplier base (21 categories)	30,628	31,550	32,296
CRITICAL SUPPLIERS[1]			
Share of the supplier base	2%[2]	2%	2%
Share in LATAM procurement volume	72%	80%	73%
IDENTIFICATION OF POTENTIAL RISKS			
% of categories subjected to sustainability risk analysis	100%	100%	100%
Suppliers analyzed per the sustainability criteria (% of the total base)	33,7%	46,3%	37,0%
Suppliers considered high risk in sustainability aspects (% of those analyzed)	NA	NA	598 (5%)
Suppliers with agreed mitigation plans (% of the high-risk group)	NA	NA	152 (25%)
MONITORING AND MANAGEMENT			
Preventive analyses conducted (international database system)	14,204	10,651	11,964
Detailed assessments (based on the system alerts)	614	767	729
Plans of action	0	0	1,079
Contracts terminated due to noncompliance	0	0	0

1 Includes companies with contracts worth over US$1 million, interacting with government agencies on behalf of LATAM or supplying the operation with essential or difficult to replace elements.
2 The figure differs from the one published in the 2016 Sustainability Report as the calculation now considers LATAM's total supplier base.
NA: information not available.

STRAIGHT TO THE POINT

ALIGNED PRINCIPLES

Context and positioning

FOR LATAM, IT IS CRUCIAL TO HAVE A COMMITTED SUPPLY NETWORK WITH THE HIGHEST COMPLIANCE AND ETHICS STANDARDS AND IN LINE WITH THE PRECEPTS OF THE GROUP ITSELF AND WITH THE BEST PRACTICES OF THE MARKET.

Topic management

A series of policies and procedures that ensure the chain's alignment with LATAM's principles and values and clearly guides the behavior expected from the partners. Examples:

> **Corporate Procurement Policy:** includes strategic topics related to the management of the supply chain and that act as an important risk management tool for the Group. Among other data, the document specifies which are the financial, social, and environmental requirements that the business partners must meet. The policy is in line with the Anticorruption Policy and the Code of Conduct, and contains regulatory specifications for each country where the Group operates.

> **Contacts:** a specific environmental clause (see Appendix) establishes that the supplier must meet all legal requirements, be responsible for eventual penalties, and communicate to the Group any incident that may cause environmental damage.

> **Everyone's responsibility:** all engagements — including those with lower financial volume or shorter duration, that do not require a contract and are carried out through a purchase order — include the commitment to anticorruption and environmental protection practices.

THIRD-PARTY INTERMEDIARIES

A third-party intermediary (TPI) is a supplier that acts as a representative of LATAM before national and foreign public officials. In 2018, there were 475 contracts in that category, which follows specific analysis, formalization, and monitoring processes. The supplier must prove its compliance with the LATAM Code of Conduct and Anticorruption Policy, and all contracts specify anticorruption and anti-bribery clauses. Before and during the execution of the task, TPIs are subjected to thorough due diligence processes.

Developments in 2018

In 2018, LATAM began the drafting of a Supplier Code of Conduct which includes guidelines on:

- ***Ethics;***
- ***Fight against corruption;***
- ***Compliance with occupational health and safety standards;***
- ***Socio-environmental responsibility;***
- ***Human rights (guarantee suitable work conditions and absence of child and slave labor).***

To achieve the signing of a business contract, the supplier must formalize their adherence to the code.

CUSTOMERS

AT THE HEART OF THE STRATEGY

Simplicity, empathy, and trust. Based on these three distinctive elements, LATAM takes care of its customers at all stages of interaction: purchase, airport, post-sales, and on-board experience. In an ongoing process, the Group has been perfecting how it works to adjust to the various customer profiles, their needs, and their expectations.

Since 2017, in its domestic operations, and since 2018 on its international flights, LATAM offers four types of rates, with differentiated options for bag tag, preferred seating, and flexibility for travel date changes. Customers choose whatever best suits their needs and purchase exactly what they require. The new sales model enabled the Group to work with a 25% average reduction in the lowest fare, making air transportation more affordable.

After the initial adaptation stage, when the change surprised and even negatively impacted customer satisfaction, airfare segmentation has won customers over. The basic fare, without checked baggage, is preferred by roughly 60% of customers.

MEALS ON BOARD

In 2018, Mercado LATAM was also consolidated; this is an on-board sales service with over 30 high-quality food and beverage options offered at affordable prices on domestic flights in Brazil, Chile, Colombia, Ecuador, and Peru.

On all long-distance flights (lasting over seven hours), meals on board are free. The menu and composition have been redesigned with new ingredients and a bolstering of the main course.

CABIN TRANSFORMATION

In 2018, the Group announced an investment of US$400 million in the project destined to transform the cabins of over two thirds of the fleet. The renovation plan will begin with the fleets of LATAM Brazil and LATAM Peru. It is estimated that clients will be able to travel on the first modernized airplane in 2019.

It took three years to define the shape of the new cabins — a process resulting from listening to passengers, specialists, and crew members.

The change is a response to the needs and expectations of a wide range of customers. On smaller planes, such as the Airbus A320 and A321 models, this modernization will guarantee a better segmentation. The first rows, with priority boarding, will have seats with greater spacing between them and passengers will have exclusive areas to store their carry-ons, as well as larger individual screens. At the back of the plane, the goal will be to optimize the cost-benefit ratio for passengers seeking lower prices. A better distribution will make it possible to increase the total number of seats available and reduce the sum charged.

On larger planes, serving international routes, the business class will undergo a true revolution. All seats will be fully reclining (180 degrees—full flat), and be designed to ensure passengers' greater privacy, with different compartments to store personal items. Improvements will also be made to the on-board entertainment system and service, including fewer interruptions by the crew and the possibility for passengers to choose the meals on their own individual screen. The changes were defined after a broad listening process, which involved frequent flyers in seven countries who use the business class.

NETWORK

+28

NEW ROUTES AND SEVEN NEW DESTINATIONS WERE LAUNCHED BY LATAM IN 2018.

REGION POTENTIAL

The aviation sector in Latin America has grown in the last few years. From 2016 to 2017, the average number of flights per inhabitant went from 0.91 to 0.98 in Chile. Even so, the expansion potential remains high, particularly considering the demand reported in countries such as New Zealand (3.39 flights per inhabitant), Panama (3.34), the US (2.61), or the UK (2.30)[1].

In Brazil, each person flies an average of 0.46 times per year. In absolute terms, the country is the sixth largest domestic flights passenger market in the world. In 2018, 95.5 million people were transported on domestic flights in the country—4.4% growth vs. a year earlier[2].

LATAM seeks to benefit from the region's demand by investing in connectivity and working to serve different customer profiles. The Group's goal is to contribute to the sector's growth and drive the sustainable development of the countries where it operates.

1 World Bank.
2 Data from the *Panorama 2018* of the Brazilian Airline Association (ABEAR).

BOOKING SYSTEM

In 2018, LATAM completed the unification of the Group's booking system. Thus, online services for ticket purchases, check-in, seat purchase, and travel date changes are now available on a single platform, regardless of the differences in flight codes (LA and JJ).

STRAIGHT TO THE POINT

TECHNOLOGY AND AUTONOMY

Context and positioning

MORE AND MORE, CUSTOMERS WANT TO HAVE CONTROL OF THEIR PURCHASE. THIS IS WHY LATAM STRIVES TO OFFER NEW SOLUTIONS THAT WILL PROVIDE CUSTOMERS WITH AUTONOMY AND THE POWER TO CHOOSE. TECHNOLOGY IS A GREAT ALLY IN THIS EFFORT.

Topic management

Main lines of action:

> Integrated digital platforms, available through the website or app, that allow for an efficient management of the trip beginning with the purchase of the ticket all the way to access to on-board entertainment;

> New technologies and support structures for self-service at airports: customers avoid queues and save time;

> Management of the digital experience to ensure that everything is done simply and intuitively.

Developments in 2018

Some innovative initiatives deserve to be noted:

> **Biometrics:** A pilot program of facial recognition was started jointly with the Carrasco airport in Montevideo (Uruguay), to speed up boarding. ID documents are only presented to, and reviewed by the immigration service. By mid 2019, biometric identification will be available for LATAM passengers at six airports. At the Quito airport, a pilot project to implement point-to-point technology for contacts with customers was carried out.

> ***Self Bag Tag*:** at the Brasilia airport (Brazil), LATAM launched the self bag tag service. As is already the case with *check-in* through self-service kiosks, passengers print out their own bag tags, weigh their baggage, and drop it off. The goal is to expand self-service to roughly 30 airports in 2019.

> **New functions:** Through the LATAM app and the My trips menu, available on the website, it is possible to choose a seat, purchase a LATAM+ seat and baggage drop, make travel changes, check in, obtain the boarding pass, and view the status of the flights. In case of flight cancelation, passengers can choose a new travel option directly through the app, without the need to communicate with the *Contact Center*.

> **Augmented reality:** through the app, customers can find out if their carry-on baggage is within the limits allowed on board. They have only to use their phone's camera. The Group pioneered this functionality in the world, offering it for Android and iOS devices.

> **Self-service:** The self-service network at airports has been expanded. There are now 1,093 kiosks at 104 airports in 21 countries.

> **LATAM Play:** this platform enables passengers to have free access to movies, series, news, music, and other content via their mobile device (smartphone, tablet, or laptop).

5.5 million ***unique users registered on the LATAM app in 2018.***

Monthly growth of over 10% in the number of users of the LATAM app.

Two out of every three check-ins are done through the app or website.

MANAGING SATISFACTION

LATAM pays attention to customers' opinion and seeks to establish an increasingly closer and more transparent relation with them. Through a series of channels, the Group identifies this population's perception at the different times of contact.

In 2018, the post-flight survey became the Voice of Customer, a new tool that consolidates passenger feedback. The results are analyzed in real time, which makes it possible to identify trends and respond rapidly in case of problems or dissatisfaction. The main executives have access to the data gathered, and share responsibility for managing it.

The survey is submitted upon landing to all passengers with a registered e-mail address. On average, there are two million monthly surveys, with a response rate of over 10%. These are simple questions regarding the likelihood that the passenger will recommend LATAM, and their satisfaction with their experiences at the airport and during the flight.

An average of two million post-flight surveys are submitted to passengers every month.

The Group also carries out a more strategic investigation annually, which uses the Net Promoter Score (NPS) methodology, whose result ranges from negative 100 to positive 100. In 2018, the satisfaction level was 23 points, below the goal for the second half of the year, set at 32. The survey considered roughly 3 million responses, equivalent to 6% of the total passengers transported.

The performance for 2018, below the internal goal, is attributed particularly to the contingencies faced by the overall aviation sector in the countries where it operates. The preventive maintenance of Boeing 787 airplane engines, announced by Rolls Royce, was a critical issue in the year for the overall industry. In LATAM, this measure affected 24 airplanes, and at one point, the Company had 13 of them grounded simultaneously, which impacted the Group's operations in Chile, Colombia, and Ecuador particularly. With a fast response capacity, the main measure implemented by the Group was the sublease of seven aircrafts to guarantee the operation and reduce the effect on customers as much as possible.

In Chile, two challenges faced throughout the year are worth noting. The first was the operations overload at the Santiago airport, whose expansion works, currently underway, affected on-time performance. Then, in April, the cabin crew strike of LATAM Airlines Chile was added to this structural problem. Despite the efforts to mitigate the effects of the stoppage, it wasn't possible to prevent some cancelations and rescheduling.

In general, punctuality also posed a challenge for the Group. The overall result for the year was 82%—with waits of up to 15 minutes—1 point higher than in 2017, but below the internal goal, set at 85%. LATAM reiterates its commitment to the topic and analyzes action plans to achieve better results in 2019.

One of the actions, already in place in Brazil, was to revise the shifts of crew on call in case they need to step in for some colleague, thus ensuring that punctuality isn't affected. Another 39 initiatives to reduce the time that airplanes spend on land during boarding and landing are also being analyzed. One of them, for instance, seeks to optimize the captain's speech prior to takeoff—the additional information will be transmitted while the planes are already taxiing on the runway. LATAM Brazil must also review flight schedules and frequencies to reduce the effect of external events, such as weather issues, on flights that take off or land at peak hours.

VIP LOUNGES

LATAM has five VIP lounges of its own, located at the airports of Bogota (Colombia), Buenos Aires (Argentina), Guarulhos (Brazil), Miami (US), and Santiago (Chile). In 2018, with the assistance of international chefs, the menu offered at the lounges of the MIA, SCL and EZE airports was revamped. In 2019, the menu shall be revamped at BOG and GRU. Some lounges are also being remodeled to offer even more comfort for frequent flyers. Towards yearend, the remodeling had been completed in Argentina, Chile, and the US; during 2019, the project will be completed in Brazil and Colombia.

On average, 2,800 customers go through LATAM's five VIP lounges on a daily basis. Moreover, frequent flyers may enjoy 24 VIP lounges on the Group's main international routes, as well as 600 spaces available for the **one**world® alliance.

LATAM CARGO

In the cargo business, the year was marked by a closer and more proactive management of customer relations, with an improvement in the quality of the information supplied at every stage of the transportation and positive effects on the satisfaction index. The result for the year was 23 points. This index is calculated based on the NPS methodology and ranges from negative 100 to positive 100.

Currently, the Group invests in digital updates to the operating systems. In line with the focus adopted for passengers, a website that will enable customers to manage their own needs is being structured.

EACH YEAR, CLOSE TO 7.1 MILLION FREQUENT FLYERS FLY USING TICKETS OBTAINED BY EXCHANGING THEIR POINTS ON THE LOYALTY PROGRAM. THIS IS EQUIVALENT TO 93 FLIGHTS PER DAY.

Snapshot

CUSTOMERS	2016	2017	2018
LATAM app users	4,021,213	4,964,991	5,468,600
Self-check-in (related to the total check-ins made)	59.0%	70.0%	78.5%
Online check-in (app or website)	50.1%	59.0%	65.9%
Check-in at self-service kiosks	8.9%	11.0%	12.6%
Frequent flyer program members (millions)	26.1	29.5	30.3
LATAM Pass – Spanish-speaking countries (millions)	13.1	14.8	15.4
LATAM Fidelidade – Brazil (millions)	13	14.7	14.9

ENVIRONMENT

POLICY AND SYSTEMS

LATAM's environmental management follows the guidelines of the Security, Quality and Environment Policy (*see* page 158), which establishes a periodic monitoring of the performance, and revision of goals, objectives, and resources allocated to the achievement of an ongoing improvement process. International standards and rules that serve as a benchmark for the policy also guide the Group's environmental management systems (EMS).

Currently, 94% of the operations have implemented an EMS and the Group continues to move forward towards reaching the goal of 100% by 2020. Overall, 32% of the operations (measured in RTK) have systems certified by international standards. Among the novelties of the year is the adaptation of the environmental management system of the Miami (US) operation to the new version of the environmental management standard, ISO 14001/2015.

Another important development was the IEnvA (IATA Environmental Assessment) certification of the air operations, corporate offices, and MROs (Maintenance Base) of LATAM Colombia, which led this affiliate to become the only airline in the country to have this certification. LATAM's international operation in Chile was a pioneer in America in obtaining the certification during 2015 and a recertification in 2017, and it is to be recertified during 2019.

IEnvA was created by the International Air Transport Association (IATA) specifically for airlines, in order to foster environmental management and performance, including requirements in line with other benchmark standards, such as ISO 14001.

Implementation is voluntary, and certification implies an analysis of the environmental legal requirements of all destinations where the company operates, as well as a study of the environmental effects of flights and of corporate activities. The process is carried out in two stages with specific requirements for each one.

For airline companies, having an IEnvA contributes to good environmental management, transparency in supplying environmental information, and a reduction of the risk of noncompliance with environmental legal requirements, as well as improving efficiency and generating savings through a rational use of resources.

IENVA CERTIFICATION

Stage 1
> Top management commitment
> Scope of EMS
> Identification of environmental legal requirements
> Identification of environmental aspects and effects

Stage 2
> Establishment of goals and targets
> Definition of operations programs and controls
> Communication and training
> Compliance audit

SELECT GROUP

ONLY SEVEN AIRLINES IN THE WORLD ARE CERTIFIED UNDER STAGE 2 OF THE VOLUNTARY IENVA PROGRAM; LATAM IS THE ONLY ONE IN AMERICA. IN STAGE 1, THERE ARE 10 CERTIFIED COMPANIES AND LATAM COLOMBIA IS ONE OF THEM.

IN ADDITION TO THE DIRECT ENVIRONMENTAL BENEFITS, THE ONGOING IMPROVEMENT OF MANAGEMENT THROUGH AN EMS ALSO HAS A POSITIVE EFFECT ON RISK MANAGEMENT AND PERFORMANCE, WITH INCREASES IN EFFICIENCY AND COST SAVINGS.

ENVIRONMENTAL MANAGEMENT (US$)

	2015	2016	2017	2018
Investments (Capex)	911,691	148,297	521,100	–
Operating expenses (Opex)	1,925,418	2,174,587	6,379,127[1]	2,625,684
Total	2,837,108	2,322,884	6,900,227	2,625,684
Cost savings[2]	79,155,500	76,176,514	100,365,212	150,632,408

1 The value differs from the one published in the 2017 Sustainability Report (6,324,645) because the total investment in waste management in the US operation has been updated. The total for the year has also been updated.
2 Considers savings based on efficiency, noncompliance costs saved, and others in 100% of the operation.

DEVELOPING THE SECTOR [102-12 and 102-13]

Focused on perfecting the internal processes, exchanging experiences, and joint construction to develop the sector, LATAM is part of various workgroups and multisector forums.

Some examples:

International Air Transport Association (IATA): as a member of the association, LATAM focuses specifically on discussions involving climate change, noise, and environmental management. IATA participated actively in the approval of CORSIA (the acronym for Carbon Offsetting Reduction Scheme for International Aviation), an unprecedented sectoral agreement fostered by the International Civil Aviation Organization (ICAO) and approved in 2016 for the reduction and mitigation of emissions from air transportation activities until 2035 (*see page 81*).

Latin American and Caribbean Air Transport Association (ALTA): LATAM participates in the regional discussions on emissions and climate change.

Reforestemos Patagonia (Reforesting Patagonia): LATAM Chile was a founding member and maintains an active participation in this initiative to reclaim the ecosystem in the Chilean Patagonia.

Bosques Amazónicos (BAM — Amazonian Forests): The organization is responsible for the Reducing Emissions from Deforestation and Degradation project (REDD), through which LATAM Peru offsets greenhouse gas emissions related to ground operations.

South Pole: the organization manages the environmental protection projects that enable LATAM Colombia to neutralize the emissions from its ground operations since 2013, and its air operations since 2017.

Consejo Empresarial Brasileño para el Desarrollo Sostenible (CEBDS – Brazilian Business Council for Sustainable Development): LATAM Brazil is a member of this agency, which is devoted to foster sustainable development through collaboration with governments and other members of civil society.

WWF-Brazil: LATAM Brazil is part of this group of companies committed to the preservation of biodiversity and the rational use of natural resources in the country.

STRAIGHT TO THE POINT

CLIMATE CHANGE

Context and positioning

Greenhouse gas (GHG) emissions from airline operations correspond to approximately 2% of the total emissions generated by human activities, according to the Intergovernmental Panel on Climate Change (IPCC). This is a low percentage compared to other industries, and more so when we consider that 80% of the sector's emissions are the result of flights spanning distances of over 1,500 kilometers, where air transport is the most efficient method1. However, emissions represent the main environmental impact for the sector, and are therefore the subject of collective efforts. LATAM participates actively in this effort, with structured management actions and its commitment to reduce the effects.

1 Air Transport Action Group (ATAG), Aviation – Benefits beyond borders, 2018, p. 32.

Topic management

LATAM maintains a structured process to manage this topic, encompassing:

> Pursuing clear goals and targets and monitoring the progress in **emissions** reduction — stressing the efficient use of fuels — and in compensation strategies through the contribution of certified projects;

> Participating in **industry commitments**: it adhered to the Commitment of becoming carbon neutral as of 2020 (CNG2020), a voluntary initiative fostered by IATA, which establishes goals and timeframes for the offsetting of emissions; and it is preparing to implement the goals established in CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), fostered by ICAO;

> Participating in talks to create and strengthen a productive chain of **sustainable alternative fuels** that will make viable their use in aviation on a large scale.

Developments in 2018

LATAM TARGET	2018 RESULTS
To reduce the share of annual fuel consumption in the budget.	A **0.1%** reduction in consumption vs. the budget. Through fuel efficiency initiatives, it was possible to save nearly **55.1** million gallons in 2018. Compared to the rest of the sector, LATAM is **7.9%** more efficient.[1] **[305-5]**
To be Carbon Neutral in ground operations as of 2020, considering 2012 as the base for emissions.	**54%** reduction of the ground operation's carbon footprint compared to the base year. **38,756** tons of emissions offset in the year.[2]

In addition to the targets set internally, LATAM is also committed with the IATA's goals, which drive the joint development of the whole sector.

IATA TARGET	2018 RESULTS
To improve fuel efficiency by 1.5% annually until 2020.	**16%** reduction in fuel use per 100 RTK since 2012, when LATAM's consolidated monitoring was started. **2.67%** annual average reduction. **[305-5]**
Carbon Neutral Growth (CNG) by 2020.	**Since 2013**, LATAM's total footprint has been below the base year for that goal (2012); in 2018 it was **7%** lower
To reduce net CO_2e emissions by half by 2050, with 2005 as the base year.	**10%** reduction of the net footprint compared to 2012.[3] Nearly **684.3 t CO_2**[2] air emissions **offset** in 2017 and 2018 in Colombia.

1 Comparison between LATAM's average consumption in 2018 and the most recent statistics (2017) available through IATA, which considers 260 airlines responsible for 80% of the international air traffic. | Fuel use efficiency is calculated based on consumption (l) per 100 RTK.
2 Offsets are always made in the year following the emission.
3 Although the IATA goal sets 2005 as the base year, LATAM makes its comparison against 2012 to monitor progress.
Note: 2012, when LAN and TAM were combined, is the baseline for monitoring progress.

Planned X Executed 2018 Fulfilled Unfulfilled

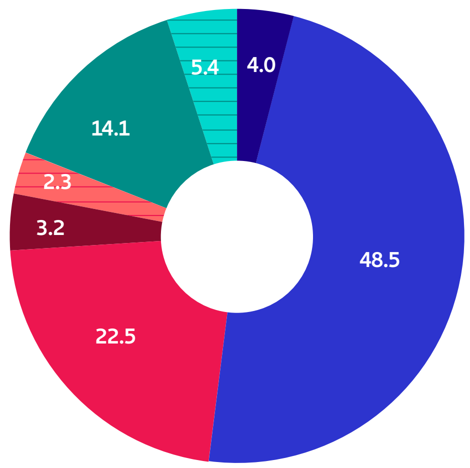
OPERATIONAL ECOEFFICIENCY

To consolidate an increasingly eco-efficient operation, LATAM concentrates its management efforts on greenhouse gas and other atmospheric emissions, fuel consumption, energy and water, and the waste generation and disposal.

CARBON FOOTPRINT

Given the very nature of aviation and the strong commitment to reduce the sector's environmental effects, the focal point is on managing the carbon footprint. Each year, the Group takes inventory of greenhouse gases, GHG (see page 160), based on ISO 14064, and monitors progress. In 2018, LATAM's total carbon footprint reached slightly over 11.5 million tons of CO_2 equivalent, a 4% increase compared to 2017. Considering the emissions offset during the year, total net emissions reached nearly 11.2 million tons of CO_2 equivalent.

TOTAL CARBON FOOTPRINT (%)



LATAM Airlines Argentina
LATAM Airlines Brazil
LATAM Airlines Chile and LATAM Airlines Group
LATAM Airlines Colombia
LATAM Airlines Ecuador
LATAM Airlines Peru
LATAM Cargo

TOTAL: 11,535,117 t CO_2e

[+] For other atmospheric emissions, please refer to the Appendices.

11,535,117 t CO_2e
Total carbon footprint 2018

11,178,625 t CO_2e
Total net carbon footprint 2018

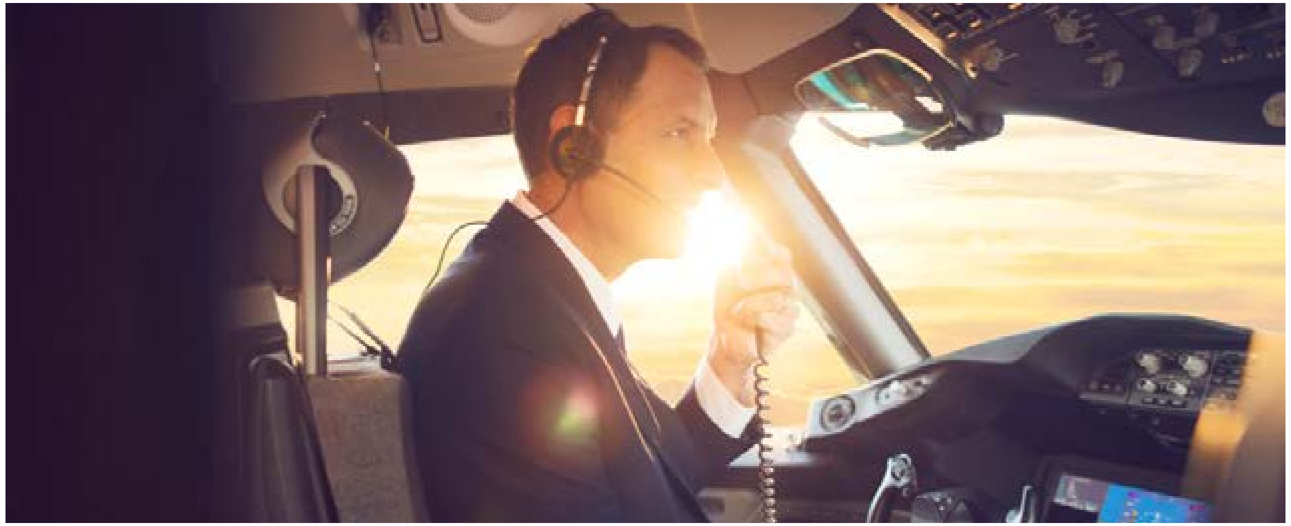
80.06 kg CO_2e/100 RTK
Intensity of air emissions 2018

77.86 kg CO_2e/100 RTK
Intensity of total net emissions 2018

OFFSETTING EMISSIONS

LATAM Colombia followed up on the acquisition of carbon credits from reforestation projects generated by South Pole to offset its emissions. One of the REDD projects foresees the forest recovery and the preservation of 16 indigenous territories located in the Mataven Jungle. The other project focuses on the protection of 13,500 hectares and over 40 endangered species in the Darien region. In this action, the focus is to restore the Chinchina river basin.

LATAM Colombia's ground operations have been carbon neutral since 2013, and its domestic air operations since 2017. In 2018, 356,492 tons of CO_2e were offset. With the carbon bonds obtained from the REDD+ Project Indigenous Unified Reservation–Mataven Jungle, LATAM contributed to the protection of 1.3 million hectares of forest preservation and protection located within 17 indigenous communities from the high plateaus of the Amazonia jungle and the creation of 600 jobs as forest rangers for the indigenous people of the area. In addition to the social and environmental benefits, this action also has positive financial effects, as it exempts the affiliate from paying the rate of US$5 per ton of carbon emitted as a result of the use of fossil fuels.



IN 2018, LATAM OFFSET NEARLY 356.5 THOUSAND TONS OF CO_2E. THE TOTAL ACCRUED SINCE 2012, WHEN THE OFFSETTING ACTIONS BEGAN, AMOUNTS TO NEARLY 822.2 THOUSAND TONS OF DE CO_2E.

RISKS AND OPPORTUNITIES [201-2]

In LATAM, managing climate change also considers the eventual financial effects that it might cause. One of the risks identified regards the likely adoption of restrictive laws and regulations related to the emission of GHG in the countries where the Group operates. For instance, in Colombia, there is already a tax of US$5 per ton of CO_2 emitted in domestic operations. LATAM is exempt from the payment because it neutralizes the emissions of its ground operations and domestic flights through the purchase of carbon bonds from a flagship project for the reforestation of the west of the country.

In a scenario forecast for the next six years, the possibility that there may be extreme weather events, such as cyclones and hurricanes, which could affect operations altering or cancelling flights, or even preventing operations in some regions of the world, is also analyzed. Should these phenomena materialize, demand at some of the destinations that the Group offers could decline and negatively affect revenues.

As a measure to manage and mitigate these risks, LATAM works constantly on efficiency initiatives to reduce the fuel consumption of its operations and modernize its airplane fleet with more modern and efficient models, and betting on technologies and navigation systems that will allow operation despite adverse weather conditions. The company is also committed to the sector's initiatives to reduce and compensate emissions, it adheres to the related standards and negotiations, and supports the development of sustainable alternative fuels.

As for opportunities, climate change may serve as a competitive differentiator for companies that act innovatively and display a pioneering spirit in their focus. Effective management of the topic, with concrete results presented year on year, has a favorable effect on the brand's reputation, and may attract new customers or favor the loyalty of current customers who value caring for the environment.

LONG BEFORE CORSIA WAS ESTABLISHED, THE AVIATION SECTOR WAS ALREADY WORKING ON JOINTLY REDUCING THEIR IMPACT ON CLIMATE CHANGE. FROM 1990 TO 2018, RELATED EMISSIONS (PER PASSENGER) DROPPED TO HALF, ACCORDING TO ATAG[1] DATA.

1 Source: Aviation – *Benefits beyond borders*, 2018, p. 32.

EVERYONE'S COMMITMENT

Innovatively, towards the end of 2016, the aviation industry adopted a public commitment to gradually reduce the sector's GHG emissions to achieve carbon neutral growth by 2035, following the baseline set at 2019 and 2020. The agreement endorsed by the 191 member States of the International Civil Aviation Organization (ICAO) is known as CORSIA.

In 2017, an ICAO group worked on drafting the Recommended Standards and Practices, delivered to the signatory countries, and which became the base to define the Measurement, Reporting, and Verification measures (MRV). In the countries where LATAM operates, the most advanced in terms of addressing the issue are Brazil and Chile, which have already approved the corresponding MRV standards. In 2018, LATAM prepared to comply with what was set forth in the commitment and it will begin, as of 2019, to present to the relevant authorities the data on CO_2 emissions from its international flights.

The emissions reduction and offset initiatives established in CORSIA shall be implemented in stages. Until 2026, application of the agreement is voluntary. From 2027 to 2035, adherence by the countries that endorsed the agreement shall be mandatory. The data reported by air carriers is important, as it will serve as a basis to establish reduction and offset goals for the countries.

EFFICIENT USE OF FUELS

In the search to reduce GHG emissions, the action with the greatest impact is the ongoing increase in jet fuel use efficiency. In addition to being the main source of emissions, this input is also the largest operating cost of any airline company, and it is carefully managed to ensure the company's financial sustainability over time.

Since 2010, LATAM has had a structured program to search for efficiency, with initiatives that were being independently developed by LAN and TAM, even after their combination in 2012. As of 2016, all of the Group's efforts on the matter were joined in a single system, which favored a standardization of monitoring metrics and the adoption of best practices throughout the operations.

The search for efficiency involves different departments of the Group and its affiliates, such as Services, Airports, Maintenance, and Operations, which work together to achieve the goals set internally and fulfill the efficiency commitment made before IATA (*see page 78*). This work bears fruit year after year, with an ongoing reduction in relative fuel consumption and a performance above the sector average.

In 2018 alone, these actions prevented the consumption of more than 55.1 million gallons of fuel. From a financial point of view, these savings translated into US$137.3 million. For 2019, the goal is to prevent the consumption of 60.6 million gallons of fuel.

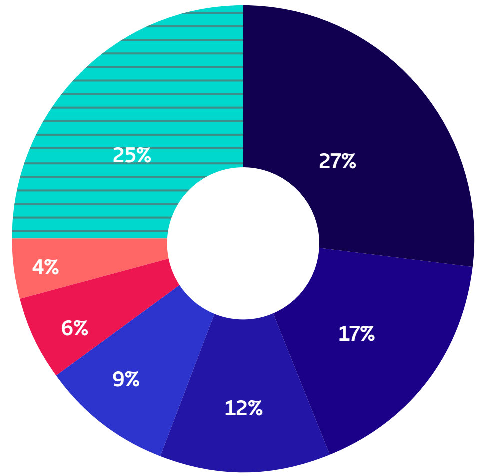
One of the new initiatives that contributed to the 2018 performance was the adjustment in the Cost Index of LATAM Brazil's operations, with savings of 4.5 million gallons. The index acts as a guide for pilots and sets ideal ranges for the ratio between speed and fuel consumption. Higher speed leads to lower travel times and greater consumption. But for reasons of availability at the destination airport and other factors, reduced travel times don't always result in lower total flight times (until landing). An additional thrust to reach the destination fast may imply that the plane will have to take more turns—and increase consumption—until landing is cleared, without any effect on service quality, passenger perception, or on-time performance. Thus, the ratio must be carefully calculated.

Another novelty was the adjustment of the take-off angle recommended for all operations. This step was added to a series of other initiatives that LATAM identifies and integrates into the routine year after year. One example is the rationalization of the auxiliary engine (APU), which is used on land but can be replaced for most of its functions by electrical equipment or driven by other fuels available at the airport.

INFORMED DECISION

By yearend, LATAM launched an app that provides pilots with information regarding their performance on the various routes and the crews' average with regard to adopting initiatives that affect fuel consumption, such as fuel reserves or activating the auxiliary power, for instance. Based on the observation of their own practices and those of other pilots, crew members can make better informed decisions and collaborate more actively to obtain the benefits of efficiency.

EFFICIENCY IN FUEL USE 2018 (%) [302-4]



- Rationalization in the use of the auxiliary engine (APU)
- Fuel policies
- Standardization of approach, landing, and taxiing procedures
- Elimination of unnecessary weight during the flight
- Route revision
- Optimization in the use of airplane air conditioning and pressurization units
- Other initiatives

TOTAL: 7,229 TJ (55,159,181 GALLONS)

[+] The description of the main efficiency initiatives is included in the Appendices.

MORE EFFICIENT FLEET

Based on the estimates of the International Coordinating Council of Aerospace Industries Associations (ICCAIA), engine and aircraft manufacturers invest around US$15 billion per year in research and development to deliver models with state-of-the-art technology, more modern and efficient in terms of fuel consumption and noise generation. Noise is another element from the aviation industry that mainly affects the population living near some airports, as a result of the urban spread in large cities and metropolitan regions.

LATAM is committed to the gradual renovation of its operating fleet, currently comprising 312 airplanes, aged 8.9 years, on average. In 2018, the Group received two Airbus A350-900 and two A321 model planes. LATAM is already operating four A320-Neo and it should increase to 13 in 2019. This aircraft consumes 15% less fuel and generates 50% less noise than the equivalent model of the previous generation.

WITH THE NEW PLANES, NOISE GENERATION DECREASED TO HALF AND FUEL CONSUMPTION DECREASED BY 15%.

SUSTAINABLE ALTERNATIVE BIOFUELS

A pioneer in South America in making flights with biofuels — it made a test flight in Brazil in 2010 and two commercial flights in Chile and Colombia in 2012 and 2013 — LATAM continues to closely follow the talks to facilitate the production and marketing of biofuels for aviation, an important action in the sector's strategy to reduce emissions.

The Group participates actively in discussion forums on the matter in the countries where it operates — particularly in Brazil, which is a leader precisely due to its experience in the production of ethanol for the automobile industry and the availability of arable land. On the Brazilian scene, LATAM works to positively influence the talks regarding the agenda to implement the National Biofuels Policy (RenovaBio), particularly through its role as a member of the Brazilian Airlines Association (ABEAR).

After the enactment of the law that implemented the policy, the National Energy Policy Council set the national goals for emissions reduction for the country's fuel grid for a 10-year period, lasting until 2028. The goals will be deployed through individual commitments that must be met by the fossil fuel distributors operating in the Brazilian market. The forecast is that the individual goals will be defined in 2019.

LATAM's effort is to contribute to the creation of favorable conditions to guarantee the supply of biofuel at competitive prices, which would boost demand from the aviation industry players and enable the achievement of the goals in feasible timeframes, without affecting the financial sustainability of the parties involved.

OTHER ENVIRONMENTAL IMPACTS

Although jet fuel is the component with the highest influence on LATAM's total energy consumption, other aspects are also the subject of the effort to increase **energy efficiency**. Since the second half of 2018, the corporate building and maintenance facilities of LATAM Chile have been supplied by 100% renewable energy, as LATAM obtained an authorization to purchase energy on the open market, directly from the generators, at 15% less. In LATAM Colombia, all energy consumed comes from renewable sources.

As for **water consumption**, LATAM monitors all operations and encourages the rational use of this resource. All the volume consumed comes from municipal supply networks.

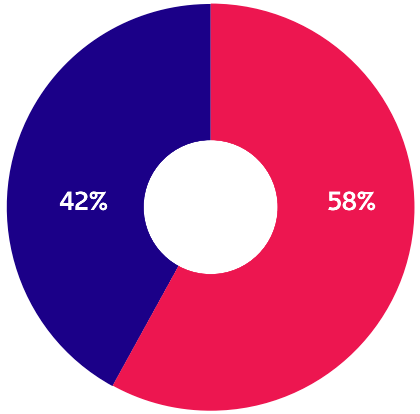
INTERNAL ENERGY CONSUMPTION (TJ) [302-1]

	2015	2016	2017	2018
Non-renewable energy				
Jet Fuel	158,889.43	155,310.60	151,502.79	157,940.61
Gasoline	10.07	24.48	7.81	6.90
Diesel	351.70	161.33	271.81	178.10[1]
Liquefied petroleum gas (LPG)	7.23	6.88	7.10	7.60
Natural gas	1.28	0.01	0.59	0.41
Total non-renewable energy	159,259.71	155,503.3	151,790.1	158,133.62
Total renewable energy				
Ethanol	0.26	-	0.09	0.25
Electricity[2]	214.92	165.39	240.37[3]	182.31[4]
Total renewable energy	215.18	165.39	240.46	182.55
Total	159,474.89	155,668.69	152,030.563	158,316.18
Costs (thousand US$)	2,615,066	2,056,643	2,318,815	2,983,028

1 Consumption has decreased in Chile because the ground handling activities have been outsourced
2 Electric energy consumed comes from various sources. The share percentage of each varies year on year, depending on the electric energy grid of each country (*see graph*).
3 Differs from the figure published in the LATAM Sustainability Report 2017 (Electricity: 271.12 TJ; Total renewable energy: 271.21 TJ; Total: 152,061.31 TJ) because consumption in Colombia was corrected.
4 Reflects a decrease in consumption in Colombia do to the shutting down of work centers.

[+] Data regarding the coverage of the information is available in the Appendices.

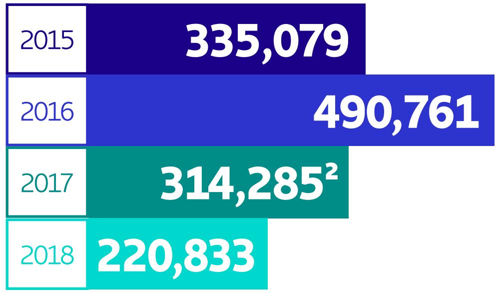
ELECTRIC ENERGY CONSUMPTION (2018)



Total: 182.3 TJ

■ Renewable sources
■ Non-renewable sources

WATER CONSUMPTION (m³)[1] [303-1]



1 Supply is provided by the municipal networks of the various countries of operation, without LATAM's direct collection of water. The coverage of the index varies throughout the years, reflecting changes in the monitoring systems, and represented 90% of operations in 2015, 89% in 2016, and 100% since 2017. This percentage includes the percentage participation of each operation in the total transportation carried out by the Group, measured in RPK.
2 The total differs from the figure published in the LATAM Sustainability Report 2017 (320.5 thousand m³) because water consumption in Colombia was corrected.

LATAM TARGET	2018 RESULTS
To reduce energy intensity (MWh/FTE) by **10%** in buildings (2015-2020 comparison) edificios	The reduction in the year was **24.6%**, in line with the plan, but intensity was still 26% higher compared to the base year (2015). This performance is partly explained by the expansion in data coverage. Without considering this factor, the increase would be a 6%. For 2019, LATAM is analyzing new measures to improve performance.
To reduce water consumption by **10%** (2015-2020 consumption)	**34%** reduction compared to the base year, despite the increase in data coverage. Excluding this factor, the reduction is 41%.
10% reduction in waste generation (2015-2020 comparison)	Despite the efforts, it has not been possible yet to reduce waste generation. Total waste in 2018 was **247%** higher than in the base year. Excluding the expansion in data coverage, the increase totals 229%. LATAM continues to implement waste reduction programs in its ground operations.

FTE: full-time employee.

Planned X Executed 2018: Fulfilled Unfulfilled

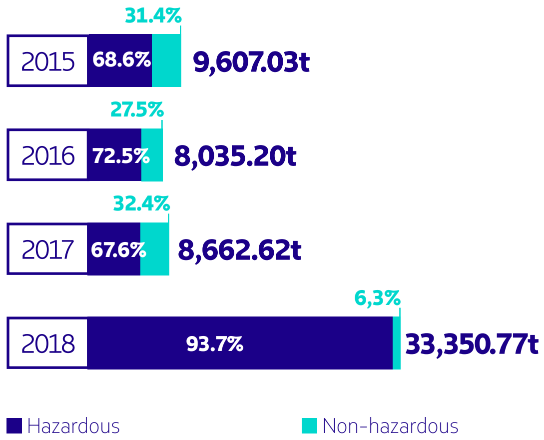
RECYCLING ON BOARD

Waste management is starting to reach LATAM's flights. In 2018, the Group began a pilot project to achieve selective collection on board. Three tests were performed on domestic flights in Chile, such as the Santiago-Punta Arenas and Santiago-La Serena routes. The crew gathers the waste in a cart that has different bags, separated by color, to sort each type of material. The tests also included the replacement of some packaging with more recyclable materials.

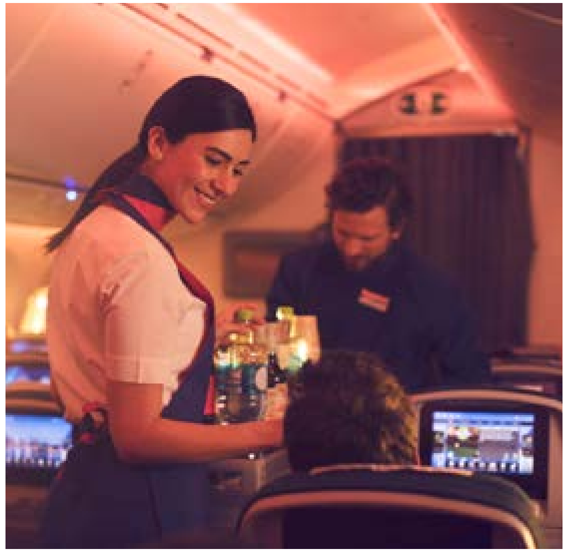
During the flights, explanatory brochures were handed out to involve passengers in the initiative. After each test flight, LATAM carried out a specific survey to gather customers' perception. The Group's expectation is to replicate selective collection on board initially on Chilean domestic flights, and then gradually in the other countries.

Another effort comes from the corporate offices, which also began to implement selective collection. To encourage employees' participation, trash bins are no longer placed near the workstations. So far, this action has been implemented in every country, except for Peru.

WASTE [306-2]



Note: The coverage measured varied throughout the years, as a reflection of changes in the monitoring systems. Considering each operation's percentage participation of revenues (measured in RPK) in the Group's total, the coverage was:
> Hazardous waste: 95% (2015); 99% (2016); 100% (2017); and 100% (2018);
> Non-hazardous waste: 94% (2015); 87% (2016); 100% (2017); and 100% (2018).



Snapshot

ENVIRONMENTAL PERFORMANCE [302-3]

	2015	2016	2017	2018
Environmental policy and management systems (EMS)				
Units with implemented EMS	87%	91%	96%	94%
Units with certified EMS	2	2	2	3[1]
Climate change				
Total emissions (t CO_2e)	11,635,252	11,367,134	11,087,051	11,535,117
Net emissions (t CO_2e)	11,627,825	11,359,659	10,755,408	11,178,625
Emissions intensity in air operations (kg CO_2e/100 RTK)	83.31	82.56	79.45	80.06
Net emissions intensity in total operations (kg CO_2e/100 RTK)	83.77	82.96	77.50	77.86
Energy intensity (MWh/100 RTK)[2]	0.32	0.32	0.30	0.31
Rational fuel use (reduction compared with IATA average)	7.4%	7.1%	8.6%[3]	7.9%[4]
LATAM fuel efficiency (liters/100 RTK)	33.06	32.76	31.53	31.77
Passenger operations (liters/100 RPK)	3.05	3.06	2.93	2.96
Cargo operations (liters/100 RTK)	24.64	21.35	21.05	19.84
Other aspects of ecoefficiency				
Approximate average age of fleet (years)	7	7	8	8.9
Energy consumption (TJ)[5]	159,474.89	155,668.69	152,030.56[7]	158,316.18
Water consumption (m^3)	335,079	490,761	314,285[7]	220,833
Waste disposal (t)	9,607	8,035	8,663	33,351[6]
Noise management				
Noise (% conformance with ICAO chapter IV)	100	100	100	100

1 Equivalent to 32% of the operations in RTK.
2 Considering internal and external energy consumption.
3 The 2017 figure was updated from the one published in the 2017 Sustainability Report (10.63%). The figure above compared LATAM's average consumption with the IATA average from 2016 – the most recent information available at the time of publication.
4 Based on average consumption from 2017, according to IATA data. The calculation includes 260 airlines, which represent 80% of the world air traffic.
5 Includes ground and air operations.
6 The increase is justified by the fact that the liquid waste management cycle in Brazil is not annual and the total treated in 2018 includes waste generated in previous years. There was also an increase in this type of waste due to the maintenance performed on the treatment plant.
7 Energy and water totals differ from the figure published in the LATAM Sustainability Report 2017 (energy: 152,061.31 TJ; water: 320.456 m^3) because the consumption data from Colombia was corrected.

[+] Detailed data regarding the coverage of the information is available in the Appendices.

EMPLOYEES

STRAIGHT TO THE POINT

CONNECTED TO THE BUSINESS

Context and positioning

Despite the technology involved in air operations, putting the company's strategy into practice is a task done by people and it depends on internal knowledge, training, and commitment. Managing these factors is increasingly more complex, given the transformation of the professional environment, marked by the interaction among different profiles, the rise of a new generation that favors purpose and deep experiences as opposed to the accumulation of goods, and the need to balance professional and personal aspects of life. Likewise, the aviation industry is subject to external factors that can affect the work environment, such as the macroeconomic and political environment, and the pressure of competition to increase efficiency and productivity.

Topic management

LATAM seeks to offer its employees a conscious value proposal, capable of attracting and retaining talents, and ensuring their strategic alignment to the business. These actions focus on:

> opportunities for development and career advancement;

> enhancement and recognition;

> autonomy and non-monetary incentives.

Developments in 2018

DEVELOP AND GROW

In 2018, over US$23 million were invested in professional training, totaling 1.4 million hours of training, which translated into an average of 35 hours per employee. (*More information in Appendices.*) Behavioral trainings, particularly in departments with customer interaction, were emphasized. **[404-1]**

Internal, horizontal, and vertical movements also continued to expand, thanks to the results of the employee evaluation process. Of all the vacancies in middle management and executive positions during 2018, 72% have been filled internally.

NON-FINANCIAL BENEFITS

The Group's appeal is also dependent on the set of non-monetary benefits offered. Given the nature of the business, the main benefit lies in employees' opportunity to see the world through LATAM. For tickets confirmed in advance, there are discounts ranging between 50% and 75%. It is also possible to travel for free when there are free seats on a flight.

Moreover, they have Short Fridays, when employees may leave work at 14 hrs. and make up for the time between Monday and Thursday; home office once a week, when agreed with the direct boss; and jeans day, allowed every day of the week so the professionals will feel more comfortable.

SEEING THE WORLD

Employees can travel for free to over 1,000 destinations in 160 countries.

227 thousand tickets were issued to employees in 2018.

Over 6.2 thousand employees used this benefit 10 times or more throughout the year.

MULTICULTURAL TEAM

One of LATAM Group's special features is its multicultural nature, not only due to the spread of its destination network, but also because of the cultural diversity of its teams. The Group ended 2018 with close to 41 thousand employees, from 61 nationalities. Roughly 21 thousand employees work in LATAM Airlines Brazil, LATAM Group's largest operation. The remainder are distributed mainly among the affiliates in Chile, Peru, Argentina, Colombia, Ecuador, and the US branch. Of the total, 60.2% are men and 39.8% are women.

COMPENSATION

Pursuant to applicable local legislation, in addition to the set salary, employees receive variable compensation, whose bonus is calculated based on LATAM's financial performance in the period and on the achievement of the corporate goals, the targets of the professional's department of operation, and their individual performance. For top management, the bonuses, linked to the price of LATAM's shares, are cumulative and have a progressive payment schedule, whereby they can reach 100% in a two-year term after the concession.

LATAM Group implements a non-discrimination and equal opportunity policy on a transversal level, but in general, salaries paid to women remain below the salaries paid to men.

Salary comparison women/men[1]

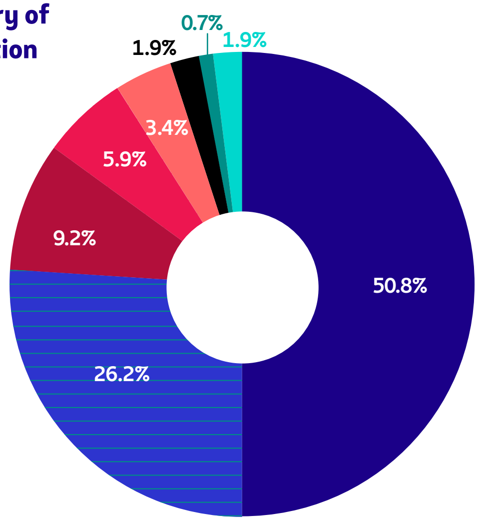
Board members[2]	1.00
Top management: CEO, vice-presidents, directors, and senior management	0.85
Managers and assistant managers (considering financial incentives as well as the base salary)	0.91
Managers and assistant managers (only base salary)	0.88
Middle management (chiefs and analysts) and general positions	0.98

1 The calculation uses the average salary for women/average salary for men.
2 The Board's salary is set by the Shareholders' Meeting. It is equal for all board members (except the chairman) and it is based solely on attendance to the meetings.

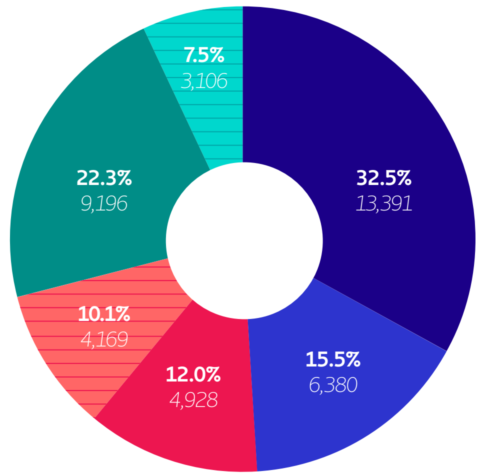
LATAM GROUP AND ITS AFFILIATES — EMPLOYEE PROFILE [102-8]

[+] Appendices

Country of operation



Function



Total: 41,170 Employees

Note: 96.7% of the contracts are permanent and 99.7% of employees work full time.

Seniority %

	Up to 3 years	From 3 years and 1 day to 6 years	From 6 years and 1 day to 9 years	From 9 years and 1 day to 12 years	From 12 years and 1 day
Total employees	21.0	18.1	20.7	17.5	22.8
Management level[1]	7.0	17.6	25.2	15.0	35.1
Board members	55.6	22.2	11.1		11.1

Age %

	Up to 30 years old	From 31 to 40 years old	From 41 to 50 years old	From 51 to 60 years old	Over 61 years old
Total employees	26.7	42.2	21.7	7.5	1.7
Management level[1]	4.5	51.7	31.4	10.6	1.8
Board members		22.2		66.7	11.1

Gender

	Men	Women
Total employees	60.2%	39.8%
Management level[1]	70.7%	29.3%
Board members	88.9%	11.1%

Gender — by country

	Men	Women
Argentina	55.5%	44.5%
Brazil	66.7%	33.3%
Chile	55.9%	44.1%
Colombia	51.4%	48.6%
Ecuador	46.7%	53.3%
United States	53.9%	46.1%
Peru	48.8%	51.2%
Others	48.5%	51.5%

1 Including: Assistant manager, manager, senior manager, director, and vice-president.

LEADERSHIP AND COMMITMENT

Leaders play a key role in LATAM's effort to consolidate a unique culture focused on customers and to strengthen the commitment of each of its teams to the Group's ambition to be one of the most admired airline groups in the world. The leadership model is based on management practiced aimed at fostering direct communication between leaders and their teams, and seeks to:

> Direct the type of leadership that LATAM needs;

> Boost the organization's health through its leaders;

> Improve performance and foster consequence management;

> Enable execution;

> Foster proximity between leaders and their teams;

> Ensure the culture.

These practices act as an integrated system, whose systematic execution has a bearing on three large dimensions: direction, coordination and control, and motivation and commitment.

With regard to direction, LATAM News and *Ampliado* are two of the practices that foster the development of a shared vision and favor greater strategic clarity. These practices are all recurring bodies where the Group's top management and the heads of the various departments meet with their expanded team to communicate key information from the business context and guide the teams' actions.

The practices that are related mainly to coordination and encourage teamwork and collaboration are the weekly meeting and the performance evaluation cycle. Through them, it is possible to foster clear roles and define responsibilities, boosting performance and encouraging consequence management.

As for motivation and commitment, the practices of 1:1 Accompaniment, Recognition, and Barometer all have in common that they contribute the most to the generation of relations of trust and proximity, which in turn has a positive effect on work environments and climate. In the 1:1 Accompaniment practice, encounters between leaders and employees strengthen the process of individual development. In the Recognition Platform, every employee has a chance to acknowledge an outstanding behavior related to the guidelines: care, safety, and efficiency. The leader can recognize members of their team, and it is possible for an employee to note the performance of a colleague from the same or a different department. In the Barometer survey, carried out twice a year, employees assess behaviors related to the leadership of their immediate superior. The survey results are analyzed by the whole team, and they are the topic of specific roundtables, giving rise to action plans that must be created by the leader and their team.

Leadership has a significant bearing on LATAM's organizational health, assessed annually through the Organizational Health Index (OHI). The results of the survey are obtained through the analysis of the organization's performance along three axes: internal alignment, renovation capacity, and execution quality. Leadership is the core of OHI, where all the themes converge; therefore, the greater and more effective the leadership, the greater the OHI results will be in the various dimensions and themes that make up the survey, resulting in a better health of the organization.
In 2018, the consolidated result settled at 64, improving from the previous year (62) and in line with the proposed goal of 64. There was significant progress in the management and responsibility, and leadership, work environment, and motivation dimensions. The OHI 2018 survey showed a response rate of 75%, surpassing the 67% participation from a year earlier.

CHALLENGE: STRIKE IN CHILE

In April, LATAM Chile's operations were affected by the stoppage by cabin crew members, headed by the category's union, which represents close to one thousand employees. The stoppage lasted 17 days. Guided by values such as transparency and dialogue, the company attempted to avoid the start of the strike and acted together with the corresponding authorities to reach an agreement as fast as possible in order to minimize the disruptions for passengers. It was not possible to meet all the requests of the movement, as LATAM already offers better salaries and benefits than its competitors in the country. If the requests had been met, the Group's financial sustainability would have been affect in the medium term, and it would even endanger the fulfillment of legal obligations to the total staff. However, LATAM reiterates its respect towards each and every one of the professionals who are part of the Group and it remains open to dialogue with the whole team.

STAFF TURNOVER

The efforts to simplify the processes, search for synergies, and eliminate duplicate functions and responsibilities progressed throughout the year, including the reduction of the team. The turnover rate in the year reached 14.2%, in line with past periods: 15.5% in 2017 and 14.8% in 2016. **[401-1]**

At LATAM Airlines Brazil, the rate was 15.9%, directly affected by the outsourcing of ground handling for aircrafts, passengers, and cargo at the Guarulhos (São Paulo) and Galeão (Rio de Janeiro) airports — a sector trend. The shift involved a great effort on LATAM's part to reduce the impact on employees. The detailed study made it possible to channel to other functions the positions of 470 professionals (36% of the total) who worked in the areas of ramp, cleaning, ground team management, and customer service for missing baggage.

Pilot retirement

Care and respect also rule the transition process for the retirement of LATAM Airlines Brazil's pilots, who normally have a long track record with the Group. They have preliminary assistance to understand that moment of career transition and, if they choose to continue working for LATAM Airlines Brazil, they can move on to become flight instructors, preparing new pilots. Moreover, the Company pays them tribute on their last flight, which usually includes their family's participation.

Snapshot

PEOPLE MANAGEMENT	2016	2017	2018
Total employees[1]	45,916	43,095	41,170
Turnover[1]	14.8%	15.5%	14.2%
Average (h) of training per employee	36	40	35
OHI survey			
Result	63	62	64
Quartile[2]	3	3	3

1 The figures reflect the adjustments proposed by the Group in search of greater efficiency and competitiveness.
2 In the OHI methodology, quartile 3 gathers the best results.

STRAIGHT TO THE POINT

EMPLOYEE SAFETY

Context and positioning

Caring for the employees is a priority and part of the commitment to safety — a non-negotiable value for the Group. Steps in this area seek to identify, prevent, and mitigate risks in the various environments and operations, and involve the joint effort of all teams and a strong commitment from management.

Four principles must guide employees' conduct:

- Safety is everyone's responsibility;
- Respect for everyone in safety procedures;
- Everyone should immediately report unsafe conditions or actions;
- The use of personal protective gear is mandatory.

Safety initiatives focus on the risks deemed as critical:

- Exposure to noise;
- Operation of mobile equipment;
- Working at height;
- Handling hydraulic systems;
- Handling aircraft engines; and
- Work in confined spaces.

Topic management

To monitor performance and define priority steps, LATAM supervises the indicators regarding injury rates, days lost, and fatalities.

With a focus on prevention, the Action Plan Index (API), which gauges the effective mitigation of potential risks, considering the total risks identified and the various degrees of severity, is also monitored.

SHARED RESPONSIBILITY

Executives have performance goals that are related to health and safety, whose results have a bearing on the performance evaluation.

Developments in 2018

PERFORMANCE IMPROVEMENT
The rate of injuries remained on the same downtrend seen in the last few years. In 2018, the indicator settled at 0.93, a 9.7% decrease from 2017, and an accrued drop of 53.5% in the last five years. Still, the target for the year — 0.86 — was not reached, so LATAM is studying measures to improve performance in 2019, prioritizing initiatives that will foster employees' safe behaviors and self-care.

PARTICIPATION CAMPAIGNS
In the Chilean operation, a communication campaign to strengthen awareness regarding the operation of mobile equipment was started. The initiative will expand to all other operations in 2019.

In LATAM Airlines Brazil and LATAM's US branch, the Guardians of Safety program was created, which aims to consolidate the safety culture among the teams through an observance of behavior. Attitudes deemed risky are recorded and serve as backup for steps to guide the whole team.

Snapshot

OCCUPATIONAL HEALTH AND SAFETY [403-2]	2016	2017	2018
Number of accidents[1]	542	444	390
Injury rate[2]	1.12	1.03	0.93
Lost days	16,324	6,680	6,164
Injury rate[3]	33.65	15.46	14.70
Deaths	1	0	0
API execution rate[4]	-	79%	86%

1 Accidents related to some critical risk and high impact events (accidents that generate over 100 lost days) represent 1.5.
2 Total accidents with lost time/average no. of employees x 100.
3 Total days lost / average no. of employees x 100. Includes work interruptions related to occupational diseases, accidents, or deaths.
4 The index started to be recorded in 2017.

[+] A detail of the indicators by gender and country of operation is available in the Appendices.

SECURITY

STRAIGHT TO THE POINT

SAFETY FIRST

Context and positioning

Safety is a non-negotiable value for LATAM and the main priority in caring for the passengers, employees, communities, and infrastructure of the operation. The Group adheres to the strictest international rules and highest standards of management.

> All affiliates have the *IOSA certification* ((IATA Operational Safety Audit), a global benchmark on the matter.

> A matrix, defined using the historical analysis of the sector's global performance and updated periodically, identifies **risk factors and levels of criticality**, and guides the Group's focal points.

> The **Safety, Quality, and Environment Policy** gathers the guidelines that apply to the whole Group. The document meets the ICAO parameters for safety management systems.

Topic management

The Safety Management System enables proactive management through the identification of potential risk situations and a detailed monitoring of performance. Closely monitoring indicators allows for quick decision-making to mitigate eventual threats and adjust procedures.

The main sources of information are:

> Automated data collection systems, which cover 95% of the information on all flights and gauge 1,280 parameters per second. Processed electronically, the data is transformed into quality information to guide the decision-making process;

> Safety reports, which all employees should incorporate into their daily routine to strengthen the safety culture (*see* page 92);

> Periodic audits, that guide action plans.

PROGRESSIVE TARGET

LATAM establishes its goal based on the best 12 months of a 24-month period as the benchmark. Thus, it ensures that it will always have an ongoing improvement process in establishing its operating targets. If the indicators deviate from the planned performance, the responsible teams will take immediate action to identify the root cause of the occurrence and rectify it.

Developments in 2018

One of the distinctive factors in safety management at LATAM is the integrated vision of information. Based on indices carefully generated through a weighting of different indicators, leaders have an updated, pertinent, and precise picture of performance.

In the operational area, for instance, there are specific indices to gauge safety in aspects related to flights, maintenance, cargo, ground handling, and airport infrastructure. Each year, the Group sets in motion steps to improve the quality of the available information and the assertiveness in its processing.

SEGMENTATION
LATAM's safety monitoring panel already includes segmented information (by route and by airport, among others), but as of December 2018, specific reports started to be generated regarding the safety performance of each pilot, incident identification, deviations from the plans, and comparisons with the fleet average. These reports are treated confidentially and made available directly to each professional, in order to further involve the teams in their commitment to safety.

FATIGUE CONTROL
A specialized software assists in fatigue control for pilots and copilots, a key aspect in team management. The system automatically cross-references planning and work data from the teams and the main variables that could affect the professionals' level of alertness. In case of fatigue risk, the plan for each professional is redrafted in order to ensure the necessary intervals and rest periods, with the readjustment to shorter or earlier routes, for instance.

COMMITMENT OF EACH ONE AND OF ALL

Maintaining the ideal levels of safety is a shared responsibility for all the team in their daily activities. The commitment to safety is materialized through the participation of all employees and its governance is up to the Group's highest bodies. In the day to day, this topic is monitored by the various participating departments and the Safety Boards, which deal with transversal steps and aspects. The Safety vice-presidency prepares monthly reports for the LATAM CEO and, periodically throughout the year, the performance in key indicators is subject to analysis by the Board.

All employees have access to an online platform to report incidents and safety deviations. Towards late 2017, the mobile version of the platform was launched, enabling access through smartphones and tablets, and making it easier for employees who have no computers at their disposal to participate. Such is the case of the crews and the professionals who work on maintenance activities. Within the mobile version, it is possible to write the report and save it while without internet access, and then send it once they can connect.

In the annual consolidated figure, the platform received 21 thousand notifications, showing that the Group has been maturing internally in terms of safety culture, which is everyone's responsibility and must be constantly spread by the leaders. We should note that, since 2017, LATAM has been working on its Safety 2.0 program, which aims to consolidate the safety culture among all teams and, for this purpose, it adopts communication, commitment, and training strategies.

20,956

THOUSAND NOTIFICATIONS RECORDED IN THE PLATFORM.

ONE OUT OF EVERY THREE WAS MADE FROM A MOBILE DEVICE (SMARTPHONE OR TABLET).

PERCEPTION SURVEY

Periodically, LATAM Group takes surveys regarding the perception that employees in operational areas have regarding safety. The survey carried out towards the end of 2018 reached all departments and, for the first time, a methodology developed by the International Air Transport Association (IATA) was used.

Comprising 60 questions, the survey was based on the requirements of Safety, Environment, and Health from the International Civil Aviation Organization (ICAO) and on IATA's IOSA standard. The questions regarded nine topics, including: safety awareness, employee empowerment, top management's commitment to the issue, safety policies, processes, and procedures, and communication regarding the matter.

At the date of this Report, collection of the results that will enable the Group to compare to its peers in the overall industry, following the model that is already used for topics related to customer satisfaction and organizational climate, was being completed.

KNOWLEDGE SHARING

Within the legal framework allowed, LATAM also shares safety experiences with other aviation companies in other circles. Within IATA, LATAM heads the coordinating group for Latin America and the Caribbean. Throughout 2018, their efforts focused on the creation of multidisciplinary forums devoted to the issue of safety in aviation, where authorities, airlines, aircraft manufacturers, and airport administrators from the region participated. In Brazil, there is already a structured workgroup and, in 2018, the group for the Caribbean region was established. In 2019, Chile, Colombia, and Peru are expected to organize their own structures. LATAM is still in talks on the matter with the other airlines included in the **one**world® alliance.

OTHER FRONTS

Within the framework of **infrastructure** security, LATAM Group adheres to the current legislation applicable at the airports of every country where it operates, particularly to the guidelines regarding passengers without documents, with expired or fraudulent documents, and passengers declared as inadmissible in the destination country. As of 2017, the US announced stricter security measures for all international flights arriving in the country. LATAM adapted its procedures and began to apply the new rules to its flights to Europe, Asia, and Oceania as well. The additional revision procedures are carried out by a specialized team that works to affect passengers' travel experience as little as possible. At the Group's other facilities, there is an entry and exit register for employees and visitors, and custody of transported cargo and of the airplanes that are kept overnight in airports and hangars.

The **emergency response plan** is supervised by the Emergency Committee, a corporate body comprised by different departments of the company. When it is activated, the plan mobilizes close to three thousand participants in nine local committees (Chile, Brazil, Argentina, Peru, Colombia, Ecuador, the US, Paraguay, Spain, Mexico, and LATAM Cargo Brazil). The Chilean Committee is the leader of the response and mobilizes the affiliates' resources and actions. In case of an airplane accident or severe contingency, LATAM has an activation system that makes it possible to alert over 3.5 thousand employees on the situation in only 5 minutes.

To sensitize directors and teams alike, all affiliates carry out an Emergency Week, where emergency response drills and trainings are held for the teams. In the 2018 edition, nearly one thousand employees participating in the teams activated in the emergency plans were trained.

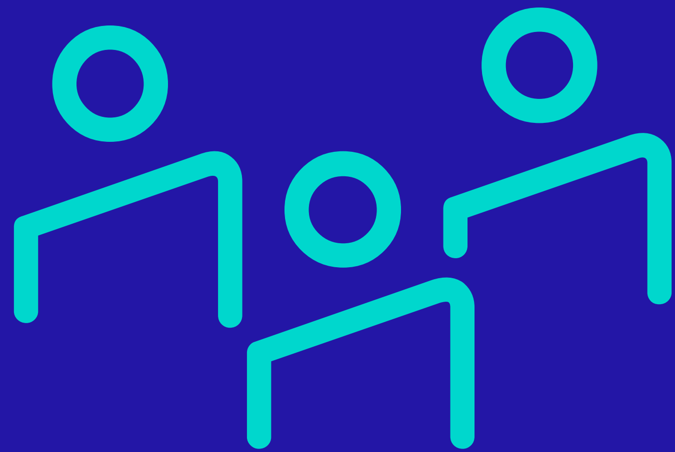
4 large principles guide LATAM's emergency response plan:

> Deliver assistance to the affected people and their relatives;
> Communicate pertinent information to the various stakeholders;
> Support the authorities in charge of the aeronautical inquiry;
> Ensure LATAM's operational continuity.

Snapshot

EMERGENCY RESPONSE	2015	2016	2017	2018
Members of the emergency team	5,000	3,723	3,985	2,954
People trained	2,129	2,391	1,293	991

SOCIETY



STRAIGHT TO THE POINT

COMMITMENT TO THE REGION

Context and positioning

The aviation industry has the potential to boost the sustainable development of the various regions it connects. The sector drives the economy through the generation of direct and indirect employment, tax collection, and the fostering of other fields, such as tourism, leisure, and business. According to the Air Transport Action Group (ATAG), the aviation sector is responsible for 65.5 million jobs worldwide, with an annual financial impact of US$2.7 billion (close to 3.5% of all the wealth produced in the world).

IN LATIN AMERICA AND THE CARIBBEAN:

> Aviation generates **US$156 billion and 7.2 million jobs** annually;

> Each job in the aviation sector generates **8.8** jobs in related production chains.

1 According to a study by Oxford Economics for ATAG and released in 2018.

Topic management

In addition to the positive effects inherent to the sector, LATAM works to turn its operation into a catalyst of actions aimed at sustainability. The network connectivity, capacity to transport people and cargo, relations with local communities, the interface with the tourism sector, and the social commitment of the employees themselves are important assets in that effort, which the Group seeks to aim ever more strategically, focused on building a legacy in the region.

Developments in 2018

LATAM updated its corporate citizenship strategy in order to ensure the strategic alignment with the business and to bring even greater relevance and assertiveness to the work carried out, as well as to make way for future improvements. The objective analysis of LATAM's positive impact potential and of the social and environmental aspects of the business confirmed sustainable tourism as a priority focus for the actions of corporate citizenship. The review also made it possible to define even clearer lines of action, applicable to the various countries, that will foresee the active association with the various stakeholders and a systematic monitoring of results and effects. These are:

Cuido mi Destino:
To strengthen the program, which gathers local initiatives designed for the region to foster environmental preservation and boost tourism on a wider scope, which considers generating awareness regarding the sustainability of tourism activities. The local intervention is carried out in alliance with non-governmental organizations or foundations, enabling the program to make the most out of these organizations' expertise and achieve a longer-term impact.

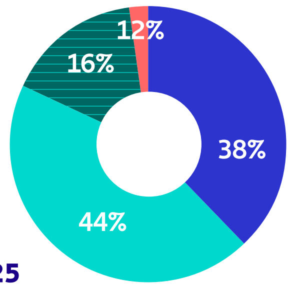
Avión Solidario
Focused on health and humanitarian activities, LATAM places at the disposal of society its capacity for social logistics and for transporting people and cargo. An internal protocol rules this service.

Local actions
Social activities defined at the affiliates based on the needs and specifications of each country, and the relations with the various groups. It includes, for instance, campaigns to collect donations.

The performance at each axis can be found on the following page.

CORPORATE CITIZENSHIP IN PRACTICE

INVESTMENTS IN PHILANTHROPY AND CORPORATE CITIZENSHIP (%)



Total: US$3,995,525

- Cash (financial contributions to social organizations)
- Non-financial donations (free or discounted airfare tickets or cargo transportation)[1]
- Management overheads (management and infrastructure for LATAM's social programs)
- Time (employees' voluntary work during their normal shift)

1 Airfare ticket and cargo space donations are calculated based on the value of the cost of these services. The estimates settle below the benefit generated in economic terms for the institutions and people served.

LATAM'S SOCIAL ACTIONS BENEFIT THOUSANDS OF PEOPLE IN THE COUNTRIES OF OPERATION.

Sustainable tourism [203-1 and 203-2]

Within the Cuido mi Destino program, LATAM promotes the three spheres included in sustainable tourism: economic, social, and environmental. In the economic pillar, it focuses on initiatives that generate wealth locally and foster the entrepreneurial spirit and the creation of jobs within the tourism chain. In the social pillar, it endorses responsible tourism and the preservation of the region's heritage.

In the environmental sphere, the focus is on the environment, including the recovery of degraded areas and the mobilization of LATAM volunteer employees and members of the civil society and government circles of the regions benefited. Since its creation in 2009, the Cuido mi Destino program has invested over US$2.3 million in various projects in all six countries where LATAM operates. In 2018 alone, US$283 thousand were contributed to the program, benefiting actions in Argentina, Chile, Colombia, and Peru.

The Group also collaborates with environmental agencies that rescue animals. Twenty-five animals were transported in 2018.

COCINEROS QUE VUELAN

In LATAM Airlines Peru, the *Cocineros que Vuelan* (Flying Cooks) program was created as part of the *Cuido mi Destino* program, granting full scholarships to young people who are interested in entering the field of gastronomy. This project is possible thanks to LATAM's partnership with Fundación Pachacútec and various public agencies, and it is backed by renowned chefs, who act as sponsors of this initiative.

The scholarships last 2.5 years and include theoretical and practical education. The young people benefited also receive subsidies for food, lodging, and transportation expenses. The project also includes an internship program at international benchmark restaurants, which includes round trip tickets and aids for the expenses of those selected.

The goal of the initiative is for the future chefs to contribute to the economic development of their communities and to help spread the country's gastronomic culture. While the project is already in motion, LATAM has also been investing in fostering healthcare and tourism in the participants' cities and regions of origin. So far, six cities have been benefited, and 12,630 people have been indirectly favored by the program.

Avión Solidario [203-1 and 203-2]

There are two action fronts: Healthcare initiatives and aid for emergency situations.

The aid for healthcare initiatives is provided through partnerships with institutions to donate airplane tickets to people who need to travel to obtain some medical treatment. Some of the institutions served in 2018 are:

> **Operación Sonrisa:** This foundation offers specialized care to children with cleft lip and palate in Colombia and Peru. The donation of LATAM airplane tickets enables the transportation of passengers, relatives, doctors, and volunteers to carry out the treatment.

> **Breast cancer campaign:** LATAM Chile and LATAM Peru support the initiative and award tickets to people undergoing a medical treatment for this disease. In Peru, over 680 thousand people who traveled on domestic LATAM flights and over 3,800 employees have been made aware.

In addition to the systematized actions for all the countries of operation, the social use of LATAM's logistic capacity also leads to specific partnerships in the countries to enable important programs. In Brazil, for instance, LATAM maintains a commitment with the Brazilian Ministry of Health, which guarantees the transportation of organs and tissue used in transplants.

In 2018, the Humanitarian Airplane was activated to transport over 15 tons of blankets for families in Cusco, Puno, and Arequipa, affected by low temperatures. It also took action during the floods in Salta, Argentina.

CLEAR CORPORATE RULES

LATAM's contributions of cash or services adhere to the Donations Policy, which sets the criteria, validation stages, and bodies responsible for authorizing the awarding of tickets, free cargo transportation, and financial contributions to foundations, non-governmental organizations, and other civil society entities.

Non-financial donations are authorized locally by the Corporate Affairs department, whereas donations worth under US$5 thousand must be approved by the Corporate Affairs vice-presidency. For donations worth between US$5 thousand and US$25 thousand, the Executive Committee's approval is also required, and for contributions in excess of US$25 thousand, it is necessary to obtain authorization from all the above and the Board, as well.

Effective as of 2017, this policy ensures that these practices are carried out in observance of all legal and compliance standards. The Legal Affairs department monitors the procedures of all donations, including the prior assessment regarding the legal compliance of the beneficiaries, whose contracts with LATAM include an anti-corruption clause.

Local actions

Other initiatives linked to the corporate citizenship strategy have already become a tradition among LATAM's affiliates. In Chile, for over two decades, LATAM Airlines Group S.A. has opened its facilities once a week to receive students from various regions around the country through the "Un Día en LATAM" (A Day at LATAM) program. This is an opportunity to bring children and young people in touch with the world of aviation. In 2018, the maintenance department of LATAM Airlines Peru, located within the international airport of Lima, was visited by 60 students from the neighboring area.

The affiliates also make the dream of flying come true for children and young people who are in a vulnerable socioeconomic situation. The initiative, which depends on the mobilization of volunteer employees, enabled 108 young people and children from Argentina to fly for the first time ever in 2018. In Peru, 65 people were benefited. LATAM Airlines Colombia signed a partnership with television network RCN and donated tickets to 16 people awarded in the Valientes RCN project, which publicly acknowledges people who have faced adverse conditions. In Brazil, this action is carried out in a partnership with NGO Make-a-Wish, and takes children who suffer serious illnesses to see some special place around the world. In 2018, LATAM Airlines Brazil made the dream come true for ten children.

Employees' participation is also what guarantees the success of collection campaigns, which take place often in all countries, and are normally linked to specific periods, such as Christmas and the arrival of winter. For instance, in 2018, LATAM Airlines Peru donated *panetones* to three thousand people for Christmas 2018. LATAM Airlines Brazil collected 8,460 items in the Christmas campaign and 300 kg of coats for the winter campaign. These donations were delivered to NGO Amigos do Bem, which operates in the Northeast region of Brazil. In the year, 38 employees accrued 936 hours of volunteer actions, where 28 of them traveled with Amigos do Bem to participate on site. Another 96 employees participated as teachers in the public schools near the airports of various localities around Brazil. The core objective of this project is to bring to students notions regarding the labor market.

Other actions

Recyclable materials

LATAM verifies that the authorities and the industrial sector carry out reverse logistic projects to ensure the productive sector's joint responsibility to achieve an adequate waste management and elimination. In specific actions agreed with local authorities in island environments or hard to reach areas, the company collaborates in the transportation of recyclable materials, and fosters a debate regarding the creation of longer-term solutions.

From Easter Island (Chile), it transports paper, plastic, and other materials for free to the capital, Santiago, along a route that takes six hours of flight time. LATAM Airlines Colombia enables the transportation of used tires from San Andres island to the capital, Bogota, where a supplier reprocesses the material and transforms it into a source of energy.

IN 20 YEARS OF EXISTENCE, THE "UN DÍA EN LATAM" (ONE DAY AT LATAM) PROJECT HAS RECEIVED OVER 100 THOUSAND CHILDREN.

Snapshot

SOCIETY	2016	2017	2018
SUSTAINABLE TOURISM			
Cuido mi Destino - total investment (US$) Animals transported	181,612	227,294	283,036
Animals transported	15	129	25
AVIÓN SOLIDARIO			
Air tickets donated	4,059	7,439[1]	4,606
Cargo transported as humanitarian aid (t)	678	438	16
Organs/tissues transported	853	757	598
OTHER ACTIONS			
Social programs-investment (US$)	ND	ND	206.110
Recyclable materials transported (t)	143	184	170
Volunteer work (h) during the work day.	5,460	6,125	4,817

1 Reflects the increase in emergency situations during 2017.
NA: information not available.

ABOUT THE INTEGRATED REPORT

REPORT AND MATERIALITY

[102-40, 102-42, 102-43, 102-46, 102-50 and 102-56]

LATAM publishes its Integrated Report 2018, which presents the main developments and challenges of managing the business, considering the interrelations between financial and non-financial information. For the first time, the publication adopted the integrated reporting principles from the International Integrated Reporting Council (IIRC). Together with the GRI (Global Reporting Initiative) standard, the main benchmark in sustainability communication worldwide, these principles guided the Group's efforts to prove in a more comprehensive and consistent manner how it generates value in time and for the various stakeholders.

The information released considers all the companies in the LATAM Airlines Group during the period from January 1st to December 31, 2018, and has been subjected to an external audit. Deloitte (*see* page 112) performed the limited review of the adaptation of contents and indicators based on the GRI Standards regarding the organization's profile and the material indicators of the economic, social, and environmental dimensions.

PwC (*see* page 169) audited the Consolidated Financial Statements of LATAM Airlines Group and its affiliates, including the consolidated financial statements as at December 31, 2018 and 2017, available on page 168.

INTEGRATED REPORTING PRINCIPLES (IIRC)

> Strategic focus and future orientation
> Information connectivity
> Stakeholder engagement
> Materiality
> Concision
> Reliability and thoroughness
> Compatibility and consistency

GUIDELINES OF THE GRI STANDARDS

> Context
> Balance
> Thoroughness
> Materiality
> Stakeholder inclusion

In addition to following the legal and accounting standards applicable to annual reports on financial results, the Group based its choice of topics to be presented in the publication through a materiality process (definition of relevant topics). The work was completed in early 2018, and involved various consultations with its stakeholders and an analysis of the main economic, environmental, and social principles of the business.

After the consultations and analysis of the data, topics were prioritized based on a comparison of the level of relevance (stakeholders' view) and the level of impact (view of LATAM senior management and material topics identified by the SASB). The matrix, comprising ten topics, was validated by the LATAM CEO.

The Integrated Report 2018 discusses how LATAM works to manage each relevant issue and the performance achieved in 2018, measured through GRI and SASB indicators, and other monitoring systems used by the Group.

It should be noted that while the new list of relevant topics does not include eco-efficient management; reductions in noise and other emissions; and value chain, which were on the previous list, the group retains its focus on these issues. They are incorporated into the approach adopted regarding other relevant aspects. For example, the topic of mitigation of climate change includes the efficient use of fuels, while the topics of financial sustainability, destination network, and sustainable tourism also take into account aspects related to the value chain. [102-49]

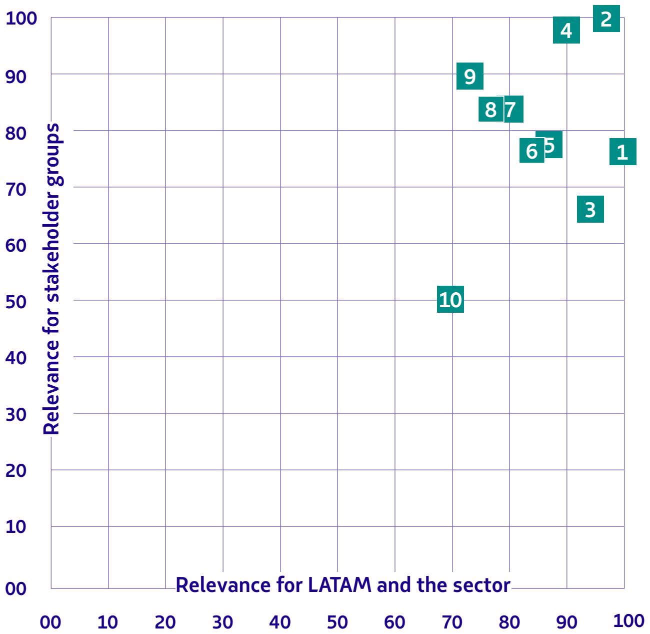
[102-40]

STAKEHOLDER GROUP[1]	CONSULTATION METHODOLOGY
Employees	Online survey
Customers	Online survey
Suppliers	Online survey
Investors and shareholders	Research into the sustainability topics incorporated into the investment policies of the group's seven main investors and shareholders[2]
Society (civil society organizations and the press)	Research into the sustainability topics in the publications of 14 organizations[3] with whom LATAM maintains relations and sustainability topics involving LATAM published in the press in the course of 2017
Authorities	Research into the sustainability topics raised in the publications of ten regulatory authorities[4]
Aviation industry	Research into the sustainability topics raised in the publications of six competitors[5], ten industry associations[6], and three specialists[7]

1 The selection of the stakeholders consulted was conducted in accordance with LATAM's Sustainability Policy. The groups with which LATAM interacts directly or indirectly and that are impacted positively or negatively by its activities were taken into consideration.
2 Banco de Chile (Citi in the US); JP Morgan; Deutsche Bank; Santander; Larraín Vial; Raymond James; and BTG Pactual.
3 América Solidaria; TECHO; Chilenter; Fundacion la Nacion; Fundación Sí; Cimientos; SAFUG (Sustainable Aviation Fuel Users Group); Junior Achievement; Amigos do Bem; Make a wish; Instituto Rodrigo Mendes; Operación Sonrisa Colombia; Operación Sonrisa Peru; and Fundación Pachacutec.
4 AC Chile (Civil Aeronautics Board); Nuevo Pudahuel – Chile; Easter Island Municipality – Chile; ANAC Argentina (Administración Nacional de Aviación Civil); ANAC Brasil (Agência Nacional de Aviação Civil); SAC Brasil (Secretaria Nacional de Aviação Civil); INFRAERO Brasil; Aerocivil Colômbia (Aeronautica Civil – Unidad Administrativa Especial); CNAC Ecuador (Consejo Nacional de Aviación Civil); and DGAC Peru (Dirección General de Aeronáutica Civil).
5 China Airlines; Gol; Lufthansa; ANA (All Nippon Airways); Delta Airlines; and Airfrance/KLM.
6 IATA (International Air Transport Association); ALTA (Latin American and Caribbean Air Transport Association); Amcham Chile (American Chamber of Commerce); Idea (Instituto para el Desarrollo Empresarial de la Argentina); JURCA (Cámara de las Compañías Aéreas em Argentina); ABEAR (Associação Brasileira das Empresas Aéreas); ABRABA (Aliança Brasileira Para Biocombustíveis de Aviação); ATAC (Asociación del Transporte Aéreo en Colombia); ARLAE (Asociación de Representantes de Líneas Aéreas en el Ecuador); and AETAI Peru (Asociación de Empresas de Trasporte Aéreo Internacional).
7 SASB (Sustainability Accounting Standards Board) – Airlines Materiality Map; GRI (Global Reporting Initiative) — Sustainability Topics for Sectors: *What do stakeholders want to know?* – Air Transportation – Airlines; and DJSI Company Benchmark Report.

ONLINE SURVEY
1,285 EMPLOYEES
1,044 CUSTOMERS
68 SUPPLIERS

LATAM Materiality matrix [102-47]



1 Health and safety in the air and on the ground
2 Ethics and anti-corruption
3 On-time performance
4 Economic and financial sustainability
5 Developing employees
6 Mitigating climate change
7 Customer focus
8 Developing the destination network to offer greater connectivity
9 Relations with authorities
10 Sustainable tourism

GRI content index [102-55]

Topic	Disclosure	Omissions	Page/Response
	101 FOUNDATION 2016		
	102 GENERAL DISCLOSURES 2016		
Profile	**102-1** Name		11
Profile	**102-2** Activities, brands, products and services		The main services offered are the transportation of passengers and cargo, and the frequent flyer program; there are no cases of banned services in any of the markets operated. A full description is provided on pages 11, 12, 13, 21, 22, 23 and 26.
Profile	**102-3** Location of headquarters		Chile
Profile	**102-4** Location of operations		24, 25, 115 and 116
Profile	**102-5** Ownership and legal form		29
Profile	**102-6** Markets served		11, 12, 13, 24 and 25
Profile	**102-7** Scale of the organization		11, 12, 13 and 59
Profile	**102-8** Information on employees and other workers		89, 162 and 163
Profile	**102-9** Supply chain		65
Profile	**102-10** Significant changes in the organization and its supply chain		36 and 67
Profile	**102-11** Precautionary principle		LATAM does not formally adopt the principle of precaution, but it does incorporate potential operational impacts and risks to consumers and the company into its planning. All the group's services – routes, schedules, maintenance activities, and loyalty programs – are in compliance with the applicable legislation.
Profile	**102-12** External initiatives		77
Profile	**102-13** Membership of associations		77 and 135
Strategy	**102-14** Statement from senior decision maker		8

Topic	Disclosure	Omissions	Page/Response
Ethics and integrity	**102-16** Values, principles, standards and norms of behaviour		30
	102-17 Mechanisms for advice and concerns about ethics		29
Governance	**102-18** Governance structure		31
Stakeholder engagement	**102-40** List of stakeholder groups		52, 103 and 104
	102-41 Collective bargaining agreements		From the total workforce, 86.1% are covered by collective bargaining agreements and 46.8% are unionized.
	102-42 Identifying and selecting stakeholders		103
	102-43 Approach to stakeholders engajement		103 In addition to the approach described in Report and Materiality, management of LATAM's routine relations with stakeholders is presented in the chapters Suppliers, Customers, Employees and Society.
	102-44 Key topics and concerns raised		165 and 166
Reporting practices	**102-45** Entities included in the consolidated financial reports		All the subsidiaries were covered by the report.
	102-46 Defining report content and topic boundaries		103
	102-47 List of material topics		47, 48 and 104
	102-48 Restatements of information		Errors were found in indicators 302-1 and 303-1 from Colombia regarding 2017, so said indicators were restated within this Integrated Report.
	102-49 Changes in reporting		103 None.
	102-50 Reporting period		103
	102-51 Date of most recent report		May 2018.
	102-52 Reporting cycle		Annual.
	102-53 Contact point for questions regarding the report		4
	102-54 Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards, Core option.
	102-55 GRI content index		105
	102-56 External assurance		103 and 112

Topic	Disclosure	Omissions	Page/Response	SDG
	103 MANAGEMENT APPROACH 2016 (for all occurrences)			
	TOPIC-SPECIFIC STANDARDS 2016 (for all occurrences)			
Economic performance	**103-1** Explanation of the material topic and its boundaries		57, 61, 80 and 165	8, 9 and 13
	103-2 The management approach and its components		58	
	103-3 Evaluation of the management approach		58 and 76	
	201-1 Direct economic value generated and distributed		59	8 and 9
	201-2 Financial implications and other risks and opportunities due to climate change		80	13
Indirect economic impacts	**103-1** Explanation of the material topic and its boundaries		98 and 166	1, 8, 9 and 11
	103-2 The management approach and its components		98	
	103-3 Evaluation of the management approach		98	
	203-1 Infrastructure investments and services supported		99 and 100	9 and 11
	203-2 Significant indirect economic impacts		99 and 100	1 and 8
Anti-corruption	**103-1** Explanation of the material topic and its boundaries		29, 30 and 165	16
	103-2 The management approach and its components		29 and 30	
	103-3 Evaluation of the management approach		29 and 30	
	205-2 Communication and training in anti-corruption policies and procedures		30	
	205-3 Confirmed incidents of corruption and actions taken		None. We should note that LATAM uses the definition of corruption from the (Foreign Corrupt Practices Act, FCPA), according to which an act of corruption is incurred when there is an offer, promise, or authorization of payment, or a payment in fact, made to a public official, with the aim to induce the receiver to abuse their position, regardless of whether the corrupt act succeeds in its purpose.	

SDG: Sustainable Development Goals.
The correlation between the GRI and SDG contents are based on the *Business Reporting on the SDGs* publication by GRI and UN Global Compact, and on an analysis performed internally by LATAM.

Topic	Disclosure	Omissions	Page/Response	SDG
Anti-competitive behavior	**103-1** Explanation of the material topic and its boundaries		138 and 165	16
	103-2 The management approach and its components		137, 138 and 139	
	103-3 Evaluation of the management approach		138	
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		There were no significant fines — worth over US$50 million, or that can paralyze the operation.	
Energy	**103-1** Explanation of the material topic and its boundaries		79, 84 and 166	7, 8, 12 and 13
	103-2 The management approach and its components		84 and 85	
	103-3 Evaluation of the management approach		84 and 85	
	302-1 Energy consumption within the organization		84	
	302-3 Energy intensity		85	
	302-4 Reduction of energy consumption		82	7, 8 and 13
Water	**103-1** Explanation of the material topic and its boundaries		79	6, 8 and 12
	103-2 The management approach and its components		84	
	103-3 Evaluation of the management approach		84	
	303-1 Water withdrawal by source		84	
Emissions	**103-1** Explanation of the material topic and its boundaries		78 and 166	3, 12, 13, 14 and 15
	103-2 The management approach and its components		78, 79, 80, 81, 82 and 83	
	103-3 Evaluation of the management approach		78, 79, 80, 81, 82 and 83	
	305-1 Direct (Scope 1) GHG emissions		159	
	305-2 Energy indirect (Scope 2) GHG emissions		159	
	305-3 Other indirect (Scope 3) GHG emissions		159	
	305-4 GHG emissions intensity		159	14 and 15
	305-5 Reduction of GHG emissions		78	
	305-6 Emissions of ozone-depleting substances (ODS)		160	3 and 12
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		160	3, 12, 13, 14 and 15

SDG: Sustainable Development Goals.
The correlation between the GRI and SDG contents are based on the *Business Reporting on the SDGs* publication by GRI and UN Global Compact, and on an analysis performed internally by LATAM.

Topic	Disclosure	Omissions	Page/Response	SDG
Effluents and waste	**103-1** Explanation of the material topic and its boundaries		79	3, 6, 12 and 13
	103-2 The management approach and its components		85	
	103-3 Evaluation of the management approach		85	
	306-2 Waste by type and disposal method		85 and 161	
Environmental compliance	**103-1** Explanation of the material topic and its boundaries		153 and 165	16
	103-2 The management approach and its components		76	
	103-3 Evaluation of the management approach		76	
	307-1 Non-compliance with environmental laws and regulations		LATAM has received no significant monetary penalties or fines; that is, with values exceeding US$10,000. During the year, 17 cases were subjected to dispute settlement mechanisms.	
Supplier environmental assessment	**103-1** Explanation of the material topic and its boundaries		67	12 and 16
	103-2 The management approach and its components		67 and 68	
	103-3 Evaluation of the management approach		67 and 68	
	308-2 Negative environmental impacts in the supply chain and actions taken		67	
Employment	**103-1** Explanation of the material topic and its boundaries		87 and 165	5, 8 and 10
	103-2 The management approach and its components		87, 91 and 163	
	103-3 Evaluation of the management approach		91	
	401-1 New employees hires and employee turnover		91 and 163	
Occupational health and safety	**103-1** Explanation of the material topic and its boundaries		92 and 165	3 and 8
	103-2 The management approach and its components		92	
	103-3 Evaluation of the management approach		92	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		92	
Training and education	**103-1** Explanation of the material topic and its boundaries		87 and 165	4, 5, 8 and 10
	103-2 The management approach and its components		87	
	103-3 Evaluation of the management approach		87	
	404-1 Average hours of training per year per employee		87 and 162	

SDG: Sustainable Development Goals.
The correlation between the GRI and SDG contents are based on the *Business Reporting on the SDGs* publication by GRI and UN Global Compact, and on an analysis performed internally by LATAM.

Topic	Disclosure	Omissions	Page/Response	SDG
Supplier social assessment	**103-1** Explanation of the material topic and its boundaries		67	5, 8 and 16
	103-2 The management approach and its components		67 and 68	
	103-3 Evaluation of the management approach		67 and 68	
	414-2 Negative environmental impacts in the supply chain and actions taken		67	
Public policy	**103-1** Explanation of the material topic and its boundaries		52 and 166	16
	103-2 The management approach and its components		52	
	103-3 Evaluation of the management approach		52	
	415-1 Political contributions		30	
Marketing and labeling	**103-1** Explanation of the material topic and its boundaries		29 and 166	16
	103-2 The management approach and its components		29 and 30	
	103-3 Evaluation of the management approach		29 and 30	
	417-3 Incidents of non-compliance concerning marketing communications		There were no significant fines; that is, worth over US$50 million, or that could paralyze the operation.	
Socioeconomic compliance	**103-1** Explanation of the material topic and its boundaries		29 and 166	16
	103-2 The management approach and its components		29 and 30	
	103-3 Evaluation of the management approach		29 and 30	
	419-1 Non-compliance with laws and regulations in the social and economic area		There were no significant fines; that is, worth over US$50 million, or that could paralyze the operation.	

SDG: Sustainable Development Goals.
The correlation between the GRI and SDG contents are based on the *Business Reporting on the SDGs* publication by GRI and UN Global Compact, and on an analysis performed internally by LATAM.

GLOBAL COMPACT

LATAM is a signatory to the Global Compact, a United Nations Organization initiative aimed at mobilizing the international business community to adopt a series of fundamental and internationally accepted values in the areas of human rights, labor relations, the environment and anti-corruption in business practices.

The following table indicates the location in the report of the main actions undertaken.

HUMAN RIGHTS

1 *Support and respect the protection of internationally proclaimed human rights.* (page 51)

2 *Ensure non-complicity in human rights abuses* (page 51)

LABOR

3 *Uphold the freedom of association and the effective recognition of the right to collective bargaining* (page 106)

4 *Support the elimination of all forms of forced and compulsory labor* (pages 51 and 68)

5 *Support the effective abolition of child labor* (pages 51 and 68)

6 *Eliminate discrimination in respect of employment and occupation* (page 29)

ENVIRONMENT

7 *Support a precautionary approach to environmental challenges* (pages 76 and 158)

8 *Undertake initiatives to promote greater environmental responsibility* (pages 77 and 81)

9 *Encourage the development and diffusion of environmentally friendly technologies* (page 83)

ANTI-CORRUPTION

10 *Work against corruption in all its forms, including extortion and bribery* (pages 29 and 30)

Deloitte. [102-56]

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INDEPENDENT REVISION REPORT OF LATAM INTEGRATED REPORT 2018

Ms. Gisela Escobar
VP of Corporate Affairs
Present

Dear Ms. Escobar,

Please find herein the outcomes of the revision of LATAM´s Integrated Report 2018 according to the following aspects:

SCOPE

Limited assurance engagement of the adherence of the contents and indicators included in the 2018 Integrated Report to the GRI Standards, regarding the organization's profile and material indicators arising from the materiality process that the Company carried out following said Standards related to the economic, social, and environmental dimensions.

STANDARDS AND ASSURANCE PROCESS

We have carried out our task in accordance with the guidelines of the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

Our review has consisted in an inquiry process involving different LATAM units and management areas, involved in the process of developing the Report, as well as in the application of analytic procedures and verification tests, which are described in the following items:

> Meeting with Sustainability management.

> Analysis of the adherence of the contents of the 2018 Integrated Report to the GRI Standards: Core option, and review of the indicators included in the report in order to verify that they are aligned with the protocols established in the Standards, and whether the fact that some indicators are not applicable or not material is justified.

> Verification, through tests of quantitative and qualitative information corresponding to the GRI Standards indicators included in the 2018 Report, and its adequate gathering from the data provided by LATAM information sources.

CONCLUSIONS

> The assurance process was based on the indicators established in the materiality process carried out by LATAM. Once those indicators were identified, prioritized, and validated, they were included in the report. The reported and verified indicators appear in the following table:

102-1	102-2	102-3	102-4	102-5	102-6	102-7
102-8	102-9	102-10	102-11	102-12	102-13	102-14
102-16	102-17	102-18	102-40	102-41	102-42	102-43
102-44	102-45	102-46	102-47	102-48	102-49	102-50
102-51	102-52	102-53	102-54	102-55	102-56	103-1
201-1	201-2	203-1	203-2	205-2	205-3	206-1
302-1	302-3	302-4	303-1	305-1	305-2	305-3
305-4	305-5	305-6	305-7	306-2	307-1	401-1
403-2	404-1	415-1	417-3	419-1		

> Regarding the verified indicators, we can say that no aspect has arisen to lead us to believe that the Integrated Report 2018 LATAM has not been prepared in accordance with the GRI Standards in those areas identified in the scope.

IMPROVEMENT OPPORTUNITIES REPORT

In addition to this letter, Deloitte is presenting to LATAM a special report including improvement opportunities to reinforce management aspects, and the Company's abilitity to draft future Integrated Reports.

LATAM Management and Deloitte Responsibilities

> The drafting of the 2018 Integrated Report, as well as its contents are under LATAM responsibility, which is in charge of the definition, adaptation, and maintenance of the management and internal control systems from who the information is obtained.
> Our responsibility is to issue an independent report based on the procedures applied in our review.
> This report has been prepared exclusively by LATAM's request, in accordance with the terms established in the Engagement Letter.
> We have developed our work according to the standards of Independence established in the Code of Ethics of the IFAC.
> The conclusions of the verification made by Deloitte apply to the latest version of the LATAM Integrated Report received on March 28, 2019.
> The scope of a limited assurance engagement is essentially inferior to a reasonable assurance engagement, thus, we are not hereby providing opinion about the 2018 LATAM Integrated Report.

Fernando Gaziano
Partner
April 8, 2019

GLOSSARY

ABEAR: Brazilian Airlines Association
ADR: American Depositary Receipt
AENOR: Spanish Standards and Certification Association
AFP: Chilean Pension Fund Managers
ALTA: Latin American and Caribbean Air Transport Association
ANAC: National Civil Aviation Agency—Brazil
API: Action Plan Index
APU: Auxiliary Power Unit (engines and auxiliary power units)
ASK: available seat-kilometers—equivalent to the number of seats available multiplied by the distance flown
ATAC: Colombian Air Transportation Association
ATAG: Air Transport Action Group
ATK: available ton-kilometers – equivalent to the capacity available in tons multiplied by the distance flown
B3: Brazilian Stock Exchange
CEIV Pharma: Center of Excellence of Independent Validators Pharma
CEO: Chief Executive Officer
CMF: Financial Market Commission (Chile)
CORSIA: Carbon Offsetting Reduction Scheme for International Aviation
CVM: Brazilian Securities Commission
DJSI: Dow Jones Sustainability Index
EBITDA: Earnings before interest, taxes, depreciation and amortization
EBITDAR: Earnings before interest, tax, depreciation, amortization, and aircraft rentals
EMS: Environmental Management System
GEI: Greenhouse gases
GLP: Liquefied petroleum gas
GRI: Global Reporting Initiative
IAG: International Airlines Group
IASB: International Accounting Standards Board
IATA: International Air Transport Association
ICAO: International Civil Aviation Organization
IEnvA: IATA Environmental Assessment
IFRS: International Financial Reporting Standard
IIRC: International Integrated Reporting Council
ILO: International Labour Organization
IOSA: IATA Operational Safety Audit
IPCC: Intergovernmental Panel on Climate Change
JBA: Joint Business Agreement
LSA: Chilean Corporations Act
MRO: Maintenance, Repair, and Operation
NPS: Net Promoter Score
NYSE: New York Stock Exchange
OCDE: Organization for Economic Co-operation and Development
OHI: Organizational Health Index
OPA: Public tender offer
OPEC: Organization of Petroleum Exporting Countries
OTP: on-time performance
PMA: Parts Manufacturer Approval
RASK: revenue per available seat-kilometer – gauges the efficiency of the airline; it is obtained by dividing the operating income by the ASK
RPK: revenue passenger-kilometers – total paying passengers and cargo multiplied by distance traveled
RTK: revenue ton-km— ton transported multiplied by the distance traveled
SEC: Securities and Exchange Commission
SDG: Sustainable Development Goal
TDLC: Chilean Antitrust Court
TPI: third-party intermediary
UN: United Nations

APPENDICES

PROFILE AND STRATEGY

LEGAL INCORPORATION

It was established as a limited liability company via a public deed dated December 30, 1983 before Notary Eduardo Avello Arellano; an excerpt of this deed is recorded in the Santiago Commerce Registry on page 20,341 number 11,248 of the year 1983, and published in the Official Gazette on December 31, 1983.

Pursuant to the public deed dated August 20, 1985, granted by Notary Miguel Garay Figueroa's Office, the company became a joint-stock corporation known as Línea Aérea Nacional Chile S.A. (now, LATAM Airlines Group S.A.) which, by express provision of Law N° 18,400, has the quality of legal follower of the state-owned company created in the year 1929 under the name Línea Aérea Nacional de Chile, pursuant to the aeronautical and radio communications concessions, traffic rights, and other administrative concessions.

LATAM Airlines Group S.A.
RUT: 89.862.200-2
Address: Santiago
Trade names: "LATAM Airlines", "LATAM Airlines Group", "LATAM Group", "LAN Airlines", "LAN Group" and/or LAN".

LATAM Airlines Group S.A. is ruled by the standards applicable to open stock companies, and registered to this effect under Nº 0306, dated January 22, 1987, in the Securities Register of the Financial Market Commission (Comisión para el Mercado Financiero or CMF), formerly the Superintendence of Securities and Insurance (SVS).

COMPANY PURPOSE

a) To market air and/or ground transportation in any of its forms, be it for passengers, cargo, mail, and anything directly or indirectly related to that activity within or outside the country, on its own behalf or for third parties;

b) To render services related to the maintenance and repair of its own or third parties' aircraft;

c) To develop and operate other activities derived from and/or related, connected, contributing, or complementary to the company's corporate purpose;

d) Trade and development of activities related to travel, tourism, and lodging; and

e) To participate in partnerships of any kind that will enable the company to fulfill its goals.

PROPERTY, PLANT, AND EQUIPMENT [102-4]

Chile

Headquarters: LATAM's main facilities in Chile are located near the Comodoro Arturo Merino Benítez International Airport in Santiago. The compound has offices, meeting rooms, training areas, dining rooms, and simulation cockpits used in the processes to instruct the crew. In turn, the corporate offices are located in the central region of the capital, Santiago.

Maintenance Base: part of the International Airport in Santiago. It includes a hangar for airplanes, warehouses, offices, and parking space for airplanes with capacity for 30 short-haul and 10 long-haul aircrafts.

For more information regarding the activities carried out, view page 11.

Other Facilities: LATAM also has a flight training center and a recreational area for employees, created with the aid of Airbus. Both are located near the Santiago airport.

Brazil

Headquarters:The main facilities of LATAM Airlines Brazil are located in the city of São Paulo, in hangars located in the Congonhas Airport and its surroundings, which are leased from Infraero, the local airport administrator.

The Service Academy is also near the airport; this is where the selection, training, and simulation processes, as well as medical care, are carried out.

Maintenance Base: The MRO base is in São Carlos, within São Paulo. Its activities and capacity are described on page 19. In addition to that unit, LATAM Brazil also has spaces for aircraft maintenance, acquisition, and logistics of aeronautical materials within the hangars of the Congonhas airport.

Other Facilities: commercial branch, uniforms building, Morumbi Office Tower building, Contact Center building, and offices of the LATAM Travel and Multiplus subsidiaries, all located within the city of São Paulo.

Other localities

LATAM also has facilities in the Miami International Airport (US), leased by the airport through a concession agreement. These include a corporate building, cargo warehouses, a refrigerated area, an aircraft parking platform, and a maintenance hangar with workshops, warehouses, and its own offices.

In Argentina, Colombia, Ecuador, and Peru, LATAM's affiliates have leasing contracts for administrative and commercial offices, hangars, and maintenance areas through airport concessions.

CORPORATE INFORMATION

Headquarters
Presidente Riesco Ave. 5711, 19th floor
Las Condes, Santiago, Chile
Phone: (56) (2) 2565 2525

Maintenance Base
Arturo Merino Benitez Airport
Santiago, Chile
Phone: (56) (2) 2565 2525

Ticker symbol
LTM CI – Santiago Stock Exchange
LTM US – New York Stock Exchange

Investor relations
Investor Relations | LATAM Airlines Group S.A.
Presidente Riesco Ave. 5711, 20th floor
Las Condes, Santiago, Chile
Phone: (56) (2) 2565 8765
E-mail: InvestorRelations@LATAM.com

Shareholder contact
Central Securities Depository
Calle Huérfanos 770, 22nd floor
Santiago, Chile
Phone: (56) (2) 2393 9003
E-mail: atencionaccionistas@dcv.cl

ADR Depositary Bank
JPMorgan Chase Bank, N.A.
P.O. Box 64504
St. Paul, MN 55164-0504
General phone: (800) 990-1135
Phone: Outside the US (651) 453-2128
Phone: Global Invest Direct (800) 428-4237
E-mail: jpmorgan.adr@wellsfargo.com

ADR Custodian Bank
Banco Santander Chile
Bandera 140, Santiago
Custody Department
Phone: (56) (2) 2320 3320

Independent Auditors
PwC
Andrés Bello Ave. 2711, 5th floor
Santiago, Chile
Phone: (56) (2) 2940 0000

FURTHER INFORMATION ABOUT LATAM AIRLINES GROUP

www.LATAMairlinesgroup.net
www.LATAM.com

MODERN FLEET

SHORT-HAUL FLEET

	Length	Wingspan	Seats	Cruise speed	Maximum take-off weight
AIRBUS A319-100	33.8 m	34.1 m	144	830 km/h	70,000 kg
AIRBUS A320-200	37.6 m	34.1 m	156–168–174	830 km/h	77,000 kg
AIRBUS A320-200 -Neo	37.6 m	34.1 m	174	830 km/h	77,000 kg
AIRBUS A321-200	44.5 m	34.1 m	220	830 km/h	89,000 kg

LONG-HAUL FLEET

	Length	Wingspan	Seats	Cruise speed	Maximum take-off weight
AIRBUS A350-900	66.8 m	64.8 m	348	903 km/h	186,880 kg
BOEING 767-300	54.9 m	47.6 m	221–238	851 km/h	186,880 kg
BOEING 777-300 ER	73.9 m	64.8 m	379	894 km/h	346,500 kg
BOEING 787-8	56.7 m	60.2 m	247	903 km/h	227,900 kg
BOEING 787-9	62.8 m	60.2 m	313	903 km/h	252,650 kg

FREIGHTERS

	Length	Wingspan	Seats	Cruise speed	Maximum take-off weight
BOEING 767-300F	54.9 m	47.6 m	445.3 m^3	851 km/h	186,880 kg

DECISION-MAKING SPHERES

CORPORATE GOVERNANCE

The Company Board was chosen in an Ordinary Shareholders' Meeting held on April 27, 2017, to serve for two years.

BOARD — COMPOSITION AND RÉSUMÉS

IGNACIO CUETO PLAZA

Chairman of the Board
RUT: 7.040.324-2

Ignacio Cueto Plaza joined the Board of LATAM Airlines in April 2017. His track record in the aviation industry spans over 30 years. In 1985, he stepped in as vice-president of Sales in Fast Air Carrier, the largest national cargo company at that time. He headed the commercial and services departments of that company in the North American market. Later, he served on the Board of Ladeco (between 1994 and 1997) and LAN (between 1995 and 1997), and as the general manager of LAN CARGO between 1995 and 1998. In 1999, he was the General Manager of LAN's Passenger business, and in 2005, he took over as General Manager for the Company, a position he held until the combination with TAM. Later, he took over as CEO of LAN until April 2017. In addition, he led the creation of the LAN Airlines affiliates (Peru, Argentina, Ecuador, and Colombia), as well as the implementation of key alliances with other airlines. Ignacio Cueto is part of the Cueto Group, the controlling group of LATAM Airlines Group.

CARLOS HELLER SOLARI

Vice-chairman of the Board
RUT: 8.717.000-4

Carlos Alberto Heller Solari is an entrepreneur who joined the Board of LATAM Airlines in May 2010 and was reelected in April 2017. Heller has broad experience in the retail, communications, transportation, and agriculture sectors. He is the chairman of the Bethia Group, which in turn owns Axxion S.A. and Betlan Dos S.A., two companies with a significant stake in LATAM Airlines. Likewise, he chairs the Boards of television network Megavisión S.A., Club Hípico de Santiago, Falabella Retail S.A., Sotraser S.A., and Blue Express S.A. Moreover, he is the majority shareholder of Azul Azul S.A., the concessionaire of the University of Chile's *Corporación de Futbol Profesional*.

JUAN JOSÉ CUETO PLAZA

Director
RUT: 6.694.240-6

Juan José Cueto Plaza has been a member of the Board of LATAM Airlines since 1994 and was reelected in April 2017. Mr. Cueto serves as the executive vice-president of Inversiones Costa Verde S.A., a position he has held since 1990, and on the boards of directors of Consorcio Maderero S.A., Inversiones del Buen Retiro S.A., Costa Verde Aeronáutica S.A., Sinergia Inmobiliaria S.A., Valle Escondido S.A., and Fundación Colunga. Juan José Cueto is part of the Cueto Group, the controlling group of LATAM Airlines Group.

HENRI PHILIPPE REICHSTUL

Director
RUT: 48.175.668-5

Henri Philippe Reichstul was reelected board member of LATAM in April 2017. Mr. Reichstul served as President of Petrobras and IPEA, the Institute for Economic and Social Planning, and as executive vice-president of Banco Inter American Express S.A. Currently, in addition to being a member of the Management Board of TAM and LATAM Group, he is also a member of the Board of Directors of Peugeot Citroen and Chairman of the board of Fives, and Repsol in Madrid, Spain, among others. Mr. Reichstul holds an undergraduate degree in Economics from the Faculty of Economics and Administration of the University of São Paulo, and a postgraduate degree from Hertford College in Oxford University.

GILES AGUTTER

Director
RUT: Foreigner

Giles Agutter joined the Board of LATAM Airlines in April 2017. He is the owner and CEO of Southern Sky Ltd, an airline consultancy specializing in airline strategy, fleet planning, aircraft acquisition, and aircraft financing. He is also currently a member of the Board of Directors of Air Italy, Jetsuite, and Jetsuite X. He has vast experience in advising airlines, including Qatar Airways, on significant merger and acquisition projects within the airline industry. Mr. Agutter has a degree in Aerospace Engineering from Manchester University and he currently resides in England.

EDUARDO NOVOA CASTELLÓN

Director
RUT: 7.836.212-K

Eduardo Novoa Castellon joined the LATAM Airlines Board in April 2017. He is also currently on the board of directors of Cementos Bio-Bio, Grupo Ecomac, and ESSAL, and is a member of the Advisory Board of STARS and Endeavor. In the past, he was also a member of the board of directors of Esval, SQM, Grupo Drillco, Techpack, Endesa-Americas, Grupo Saesa, Grupo Chilquinta, and several affiliates of the Enersis Grupo and of AFP Provida. Likewise, he has been a member of the board of trade associations and non-profit organizations, such as Amcham-Chile, the Association of Electric Companies, YPO-Chile, Chile Global Angels, and several Start-Ups. Between 1990 and 2007, he was an executive of several companies such as CorpGroup, Enersis, Endesa, Blue Circle, PSEG, and Grupo Saesa. He graduated in Economy from the University of Chile and he holds an MBA from the University of Chicago. He has participated in executive programs at Harvard, Stanford, and Kellogg and was professor of courses in Finance and Economics at several universities in Chile.

NICOLÁS EBLEN HIRMAS

Director
RUT: 15.336.049-9

Nicolás Eduardo Eblen Hirmas joined the Board of LATAM Airlines in April 2017. He currently serves as CEO of Inversiones Andes SpA, a position he has held since 2010. In addition, he serves on the board of directors of Granja Marina Tornagaleones S.A., Río Dulce S.A., Patagonia SeaFarms Inc., and Sociedad Agrícola La Cascada Ltda. He holds a degree in industrial engineering from the Pontifical Catholic University of Chile, with postgraduate studies in Business Administration from the Harvard University Business School.

SONIA VILLALOBOS

Director
RUT: 21.743.859-4

Sonia Julia Sulzbeck Villalobos joined the Board of LATAM Airlines in August 2018. Ms. Villalobos is a Brazilian citizen and permanent member of the Board of Petrobras and of Telefónica Vivo and OTP, all in Brazil. She has been a founding member of Villalobos Consutoria since 2009, and a professor of postgraduate studies in Finance at Insper since 2016. Between 2005 and 2009, she was a manager of Latin American Funds in Chile, managing mutual and institutional funds for Larraín Vial AGF. From 1996 to 2002, she was responsible for private equity investments in Brazil, Argentina, and Chile, on behalf of Bassini, Playfair, & Associates, LLC. As of 1989, she was the head of Research at Banco Garantia. She graduated in Public Administration from EAESP/FGV in 1984 and obtained a Master's in Finance from the same institution in 2004. She was the first person to obtain the CFA certification in Latin America in 1994. As volunteer work, she participates on the Board of the CFA Society Brazil, a non-profit organization that gathers the close to 1,000 professionals who hold the CFA (Chartered Financial Analyst) certification in Brazil.

GEORGES DE BOURGUIGNON

Director
RUT: 7.269.147-4

Georges de Bourguignon Arndt has been a board member at LATAM since September 2012 and he was reelected in April 2017. He is the co-founder and chairman of the Board of investment bank Asset Chile S.A., since January 2018. He is currently also a member of the Board of Embotelladora Andina S.A., and Chairman of the Board of Asset AGF. In the past, he has participated on the Boards of several government-run and private sector companies, as well as of non-profit organizations. Between 1990 and 1993, he was the manager of Citibank N.A. Financial Institutions, in Chile, and a professor of Economy at the Pontifical Catholic University of Chile. Bourguignon is an Economist, graduated from the Pontifical Catholic University of Chile, and he holds an MBA from the Harvard Business School.

BOARD—TRACK RECORD AND EXPERIENCE

BOARD MEMBER	SENIORITY ON THE LATAM BOARD (terms)	OTHER BOARDS WHERE THEY PARTICIPATE	WORK EXPERIENCE IN DIFFERENT INDUSTRIES[1]
Carlos Heller Solari	8	5	0 years
Eduardo Novoa Castellón	2	3	14 years
Georges de Bourguinon	6	4	30 years
Giles Agutter	2	3	19 years
Henri Philippe Reuchstul	4	3	10 years
Ignacio Cueto Plaza	2	Over 4	More than 30 years
Juan José Cueto Plaza	25	6	34 years
Nicolás Eblen Hirmas	2	4	13 years
Sonia J.S. Villalobos	1	4	0 years
	Average: 5.77 terms		

1 Considering the Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Healthcare, Financials, Information Technology, Telecommunication Services, Utilities, and Real Estate industries.

ANNUAL REPORT OF THE BOARD COMMITTEE'S ADMINISTRATION

Pursuant to item number 5 of section 8 of article 50 bis of Law N° 18,046 regarding Joint Stock Corporations, the Board Committee of LATAM Airlines Group S.A. (the "Company" or "LATAM") issues the following annual report of its administration during 2018.

I. Composition of the Board Committee and Sessions.

The Company's Board Committee comprises Messrs. Georges de Bourguignon Arndt, Eduardo Novoa Castellón, and Nicolás Eblen Hirmas, who are deemed independent members under US legislation. Under Chilean legislation, the former two are deemed independent members. The Board Committee is chaired by Mr. Georges de Bourguignon Arndt.

The members were chosen in the Ordinary Shareholders' Meeting held on April 27, 2017, and they will hold office for a two-year term, pursuant to the provisions of the Company's bylaws.

II. Committee's Activity Report.

During 2018, the Board Committee held 22 meetings, in order to exercise their powers and fulfill their duties pursuant to Article 50 Bis of Law number 18,406 on Joint Stock Corporations, as well as to discuss the other affairs that the Board Committee deemed it necessary to examine, review, or evaluate.

Below, is a report of the main issues discussed.

EXAMINATION AND REVIEW OF BALANCE SHEET AND FINANCIAL STATEMENTS

The Board Committee examined and reviewed the Company's financial statements as at December 31, 2017, as well as at the end of the quarters ended on March 31, June 30, and September 30, 2018, including the examination of the corresponding reports from the Company's external auditors, as explained below.

The Company's External Auditor PriceWaterhouseCoopers Consultores, Auditores y Cía. Limitada ("PWC"), participated in the Committee's sessions regarding the Company's financial statements as at December 31, 2017, March 31, June 30, and September 30, 2018, in order to deliver their audit opinion and report the relevant points of their review, the main aspects of internal control, and the communications required by the External Auditor's regulator, including on each item the confirmation that (i) they met with no difficulties to carry out the audit, (ii) they had no difference of opinion with Management, and (iii) no events arose that could pose a threat to their independence.

In the ordinary meeting held on September 28, 2018, the external auditors, PWC, presented the audit plan for the financial statements dated December 31, 2018.

Likewise, in its capacity as external auditor for TAM S.A. and its affiliates, Ernst & Young (EY) participated in the Board Committee's meetings of May 7, 2018 to report on the main aspects of the external audit of TAM, the main focal points of its review process, and aspects of internal control.

Last, on the meetings held on January 22 and September 28, 2018, the effects of applying certain accounting rules to the financial statements, such as IFRS 9, 15, and 16, were reviewed.

REVIEW OF REPORTS ON IMPAIRMENT OF CASH GENERATING UNITS

In the meeting held on March 5, 2018, the Board Committee examined and analyzed the reports on impairment corresponding to the Company's cash generating units for certain assets included in the financial statements dated December 31, 2017, pursuant to the corresponding reports issued by the Company's Management and by KPMG as external consultant hired for said purpose, and who were present at said meeting. Likewise, PWC was present, in its capacity as external auditor of the Company's financial statements.

In the meetings held on May 7, August 6, and November 5, 2018, the Board Committee examined and analyzed the reports on impairment corresponding to the Company's cash generating units of Transporte Aéreo and Multiplus for certain assets included in the financial statements dated March 31, June 30, and September 30, respectively, pursuant to the corresponding reports issued by the Company's Management.

In the Board Committee's meeting held on December 10, 2018, the preliminary impairment test figures for the cash generating unit of Transporte Aéreo and Multiplus carried out for yearend 2018 were presented.

EXECUTIVE AND WORKERS' COMPENSATION SYSTEMS

The Board Committee examined in an ordinary meeting held on January 22, 2018 the wage systems and compensation plans for the Company's main executives and workers. In said meeting, the existing wage and executive compensation plan policies were examined, explaining the annual cash bonus payment and the long-term retention bonus, as well as the functioning of the bonus calculation, including the situation of the main executives.

In the meeting held on April 2, 2018, the Board Committee accounted for the coordination of the agendas carried out between said Committee and the Leadership Committee, noting that the topics that will continue to be discussed in the Board Committee are related to the annual exam of the workers and main executives wage system, the annual exam of compensation plans via executive bonuses, and the executive compensation policies.

CORPORATE GOVERNANCE PRACTICES

In order to comply with General Standard no. 385 of the former Superintendence of Securities and Insurance, currently the Financial Market Commission ("NCG 385"), in the meetings held on January 22, March 5, and March 14, 2018, the Board Committee analyzed and examined LATAM's corporate governance practices for 2017 to be presented by late March 2018, pursuant to the questionnaire included in Appendix I of said NCG 385. In said meetings, the Company's best corporate governance practices were evaluated, and some were recommended to the Board to be implemented, such as the hiring of experts to advise the Board on specific matters, market information, and the review of the formal procedure for the ongoing improvement plan for the Board's functioning and organization.

In the meeting held on May 28, 2018, the internal audit report requested by the Committee with regard to the information that the Company presents to the Financial Market Commission in response to the requirement in NCG 385 was reviewed.

On December 10, 2018, the process for the review corresponding to 2018 was begun, in order to comply with NCG 385, which must be filed in March 2019.

LATAM POLICIES

In the Board Meetings held on May 28, and July 3 and 4, 2018, the Committee reviewed the various policies modified and approved throughout the year, including the policies of fixed funds, donations, gifts, entertainment, and travel, procurement, supplier payments, political contributions, conduct for senior management, operation of Compliance Committees, mergers and acquisitions, taxes, information security, and the global anticorruption policy, among others.

TRAINING ON MATTERS OF COMPETITION

In the March 5, 2018 meeting, continuing with the work carried out during 2017, the Board Committee reviewed the conclusions of the study regarding the air cargo business' free competition study, in order to detect risks on the matter.

INTERNAL AUDIT

In the Board Meeting held on April 11, 2018, a presentation was given regarding the structure and operation of LATAM's internal audit workgroup, and the annual internal audit cycle was analyzed, whereby the main goals that should be met during 2018 were proposed. On the other hand, in the meetings of July 3 and 4, with regard to the analysis of Internal Audit reports issued in the period, the results of the review regarding the company's "buy on board" ("BOB") retail initiative were analyzed.

In the Committee meeting held on August 6, a presentation was given regarding the Internal Audit reports and the Annual Work Plan on the matter. To this effect, a summary of the work from the 2017-2018 period was presented, including the main findings of the transversal review in sales/collections, and the reports with the lowest *scores* and the observations that are submitted to Management on a quarterly basis were analyzed. Last, in the meeting held on September 3, 2018, the Internal Audit workplan from 2018 was presented, together with other reports issued by the department.

CORPORATE RISK MANAGEMENT

In the ordinary meeting held on May 28, 2018, the Board Committee was given an update regarding the progress of the Company's corporate risk management model, including the basis of the pillar on resilience to risk, the description of the current situation of the model, the focal points for 2018, the relevant inherent and residual risks, the workplan for 2018, and the improvement opportunities.

Likewise, in the ordinary meeting held on July 3 and 4, 2018, a presentation was given to the Committee regarding the status of the corporate risk management model, analyzing the heatmap of the corporate risk management model, the progress in risk mapping based on the different geographies, the meeting dynamics for risk boards, the modifications foreseen for the LATAM risk policy, the analysis of the risk matrix, and upcoming interactions on the issue with the Committee or the Board.

COMPLIANCE

In the ordinary meetings held on March 5 and September 3, 2018, the Board Committee received training on the Compliance Program currently in force in the Company, and on its main contents, including top management's commitment, the most relevant standards and laws for the Organization, the development of policies and rules, training and communications, controls of the status of the issue on Third Party Intermediaries (TPIs) by country, identification and management of Compliance risks, and a report on the participation of the various agencies regarding Compliance at the corporate level.

EXAMINATION OF BACKGROUND PERTAINING TO RELATED-PARTY TRANSACTIONS

In the meetings held on January 22, April 11, May 10, July 3 and 4, November 5, and November 20, 2018, the transactions that, according to legal and accounting standards applicable to the Company, are, or could be considered related-party transactions were examined, whereby the Committee awarded the corresponding approvals.

AUDITING UNDER SOX STANDARDS

In the meetings held on January 22, and March 5, 2018, the compared results of 2016-2017 of the SOX audit and the status of relevant topics of the 2017 process, together with the main deficiencies found regarding internal controls, were examined, whereby action plans to overcome said deficiencies were discussed. Later, in the meetings of August 6, September 28, and December 10, 2018, the results of the 2017 certification, the workplan for 2018, and the technology topics related to the certification were reviewed.

BIDDING PROCESS FOR THE EXTERNAL AUDIT SERVICES

In the meetings held on May 28, July 3 and 4, July 25, September 28, October 29, and November 5, 2018, the bidding process for External Auditors to be developed during 2018 was reviewed in order to propose to the Board, and later to the Shareholders' Meeting, the candidates for a final choice. The process made it possible to establish future bidding mechanics for these services.

BOARD COMMITTEE RECOMMENDATIONS

On the other hand, the Board Committee issued the recommendations stated further ahead in this annual management report regarding the appointment of the Company's External Auditors and private risk rating agencies for 2018.

REPORT OF ACTIVITIES BY BOARD COMMITTEE MEETING

Notwithstanding the above, the Board Committee met and discussed the opportunities described below, with a brief list of the topics examined at each of these meetings:

1) Ordinary Meeting number 184, dated 01/22/2018
> Extension of term for A350-941 aircraft subleasing agreement with Qatar Airways Q.E.S.C. ("Qatar").
> SOX status 2017.
> Application of accounting standards IFRS 15 and IFRS 9.
> Company executive and worker wage systems and compensation plans.
> Analysis of information required by NCG 385.
> Legal Department issues.
> Approval of EY fees.

2) Ordinary Meeting number 185, dated 05/03/2018
> Analysis of *impairment* test of certain assets included in the Financial Statements at December 31, 2017.
> SOX status 2017.
> Other Comptrollership topics.
> Project for competitiveness training.
> Analysis of information required by General Rule 385 of the SVS.
> *Compliance* matters.
> Best practices according to the Dow Jones Sustainability Index ("DJSI").

3) Extraordinary Meeting number 62, dated 03/14/2018
> Revision of Financial Statements as at December 31, 2017.
> Review of the document required by NCG 385.

4) Ordinary Meeting number 186, dated 22/04/2018
> Annual report of the Board Committee's administration.
> Improvements in internal controls for Systems department.
> Proposal of external auditors and private risk rating agencies for 2018.
> Joint purchases with Qatar Airways.
> Counseling services on issues regarding Fleet Reception.
> Coordination of agendas between Board Committee and Leadership Committee.
> Updates on matters concerning the Legal Department.

5) Extraordinary Meeting number 63, dated 04/11/2018
> Report on contacts with Qatar Airways for a possible transaction.

6) Extraordinary Meeting number 64 04/11/2018
> Analysis of the Internal Audit Management.

7) Ordinary Meeting number 187, dated 05/07/2018
> Presentation by auditors EY regarding the Audit on TAM S.A.
> Analysis of signs of Impairment of cash generating unit Transporte Aéreo and Multiplus.
> Coordination of the agenda of topics to be presented to the Finance vice-Presidency.
> Analysis of the "Labor Security" topic.

8) Extraordinary Meeting number 65, dated 05/08/2018
> Review of Financial Statements up to March 31, 2018.

9) Extraordinary Meeting number 66, dated 05/10/2018
> Counseling services on issues regarding Fleet Reception.

10) Ordinary Meeting number 188, dated 05/28/2018
> Bidding process for the External Audit services.
> Status of the Corporate Risk Management Model.
> Presentation of tax matters.
> Report on Internal Audit regarding the Information Required by CG 385.
> LATAM Policies.
> Update on Compliance Matters.

11) Ordinary Meeting number 189 held on 07/03/2018 and 07/04/2018
> Extension of the subleasing term on the A350-941 aircraft to Qatar.
> Status of the Corporate Risk Management Model.
> Bidding process for the External Audit services.
Informes de la Auditoría Interna.
Reports from the Internal Audit.
> LATAM Policies.

12) Extraordinary Meeting number 67, dated 07/25/2018
> Bidding process for External Audit services.

13) Ordinary Meeting number 190, dated 08/06/2018

> Report on Internal Audit and Annual Workplan.
> Transaction related to an affiliate.
> Analysis of signs of Impairment of cash generating unit Transporte Aéreo and Multiplus.
> Status of deferred tax assets topic.
> SOX 2018 certification.
> Legal and Compliance issues.

14) Extraordinary Meeting number 68, dated 08/20/2018

> Review of Financial Statements up to June 30, 2018.

15) Ordinary Meeting number 191, dated 09/03/2018

> Report on Internal Audit and Annual Workplan.
> Passenger safety protocols.
> *Compliance* matters.
> Legal Department issues.

16) Ordinary Meeting number 192, dated 09/28/2018

> Presentation of IT topics related to SOX certification.
> External Auditor PWC plan for 2018.
> Report on contacts with Qatar Airways for a possible transaction.
> Bidding process for External Audit services.
> Application of Accounting Standard IFRS 16.

17) Extraordinary Meeting number 69, dated 10/09/2018

Presentation of proposals for External Audit services.

18) Extraordinary Meeting number 70, dated 10/29/2018

> Analysis of proposals for External Audit services.

19) Ordinary Meeting number 193, dated 11/05/2018

> Analysis of signs of Impairment of cash generating unit Transporte Aéreo and Multiplus.
> Aircraft subleasing under Dry Lease, concerning 3 A350-900 model airplanes to be signed with Qatar.
> Analysis of proposal for External Audit services.
> Legal and *Compliance* issues.

20) Extraordinary Meeting number 71, dated 11/20/2018

> Transaction related to an affiliate.
> Expansion of contract with Qatar Airways for rendering consulting and fleet reception inspection services for wide body aircraft (Airbus 350 and Boeing 787).

21) Extraordinary Meeting number 72, dated 11/20/2018

> Review of Financial Statements up to September 30, 2018.

22) Ordinary Meeting number 194, dated 12/10/2018

> Analysis of situation experienced under FFP program.
> Impairment pre-test of RGU Transporte Aéreo.
> Status of SOX 2018 process.
> NCG 385.

III. Board Committee Compensation and Expenditures.

The Company's Ordinary Shareholders' Meeting held on April 27, 2018, agreed that each member of the Board Committee should receive the equivalent to 80 *Unidades de Fomento* (UF) as a monthly allowance for attending the Board Committee's meetings, regardless of the number of meetings.

For purposes of the operation of the Board Committee and its advisors, Law number 18,046 on Joint Stock Corporations states that their spending budget must at least be equal to the annual compensation of the Committee members. In this sense, said Ordinary Shareholders' Meeting approved a budget of 2,880 UF.

As a result, the Board Committee's spending is related to the monthly allowance for attending the meetings, and members have no other expenses or outlays to report.

During 2018, this spending budget was not used.

IV. Board Committee Recommendations.

IV.1 Proposal for Appointment of External Auditors.

In the Board Committee's meeting held on April 2, 2018, and pursuant to the contents of item 2), section eight of Article 50 Bis of Law number 18,046 on Joint Stock Corporations, the Board Committee agreed to submit to the Board the external auditors suggested at the Company's Ordinary Shareholders' Meeting held on April 27, 2018. This followed a preliminary review of the presentations by the audit firms that participated in the bidding process.

Thus, the Board agreed to propose to the Company's Board the appointment of firms PWC, EY, and KPMG Auditores Consultores Limitada ("KPMG") as auditor firms of the Company, in that order of priority, nonetheless recommending keeping PWC as the Company's external auditor firm for 2018.

The Board Committee's recommendation to keep PWC as the Company's external auditor was based on the following reasons and grounds:

(I) The Company's management or Board have made no observations or objections to the quality of the services rendered by PWC to LATAM Airlines Group.

(II) The interaction and coordination between both external auditors, PWC and EY, as external auditors for LATAM Airlines Group and TAM S.A., respectively, for the year 2017 is deemed to have been positive.

(III) While PWC has been the external auditor for the Company for the last 26 years, this audit company's degree of independence is guaranteed through the internal control systems that it has implemented and through the policy that PWC follows on an international level, of changing the partner in charge of the client every 5 years, which is congruent with the contents of item f) Article 243 of Law number 18,045 on the Securities Market. In fact, Mr. Renzo Corona was assigned as the new PWC partner in charge of the LATAM audit for 2017, as the previous partner had been performing that task for 5 years.

Last, and regarding the external auditor of TAM S.A. and its affiliates, pursuant to the results of the abovementioned bidding process, the Board Committee's recommendation to the Management Board of TAM S.A. is to continue with EY as the external auditor for TAM S.A. and affiliates.

IV.2 Proposal for Private Risk Rating Agencies.

In the Board Committee's meeting held on April 2, 2018, and pursuant to the provisions of item 2), section eight of Article 50 Bis of Law number 18,046 regarding Joint Stock Corporations, the Board Committee agreed to submit to the Board the risk rating agencies to be suggested at the Company's Ordinary Shareholders' Meeting to be held on April 27, 2018. Thus, the Committee decided to propose to the company's Board the appointment of rating agencies *Fitch* Chile Clasificadora de Riesgo Limitada, *Feller-Rate* Clasificadora de Riesgo Limitada, and *Standard and Poor´s Ratings* Chile Claisificadora de Riesgo Limitada.

As for the international risk rating, the Board Committee agreed to propose to the Board the appointment of agencies *Fitch Ratings, Inc.*, *Moody's Investors Service*, and *Standard & Poor's Ratings Services*.

DECISION-MAKING SPHERES

MAIN EXECUTIVES

ENRIQUE CUETO PLAZA

CEO LATAM Airlines Group
RUT: 6.694.239-2

EEnrique Cueto Plaza is the CEO of LATAM Airlines Group and has held this position since the combination of LAN Airlines and Brazilian TAM Linhas Aéreas in June 2012. Between 1983 and 1993, he was the general manager of Fast Air (a Chilean cargo airline). Later, in 1993 and 1994, he became a member of the Board of LAN Airlines, and afterwards, LAN's CEO, a position he held until June 2012. He is a member of the Board of the oneworld® Alliance and of the International Air Transport Association (IATA). He is also a member of the Board of the Endeavor Foundation, an organization devoted to the promotion of entrepreneurship in Chile, and a member of the Executive Committee of the Latin American and Caribbean Air Transport Association (ALTA).

CLAUDIA SENDER

Customers vice-president
RUT: foreigner

Claudia Sender is the Customers vice-president at LATAM Airlines Group. Formerly, she was the general manager of TAM since May 2013. She entered TAM in December 2011, as vice-president of Trade and Marketing. After LAN and TAM's combination in June 2012, she became responsible for the domestic business in Brazil, and her functions increased to also include the structure of Customer Service. Prior to joining LATAM Airlines, she had a long career at Whirlpool Latin America for seven years, where she wa s vice-president of Marketing. She also worked as a consultant at Bain & Company, developing projects for large companies in various industries, including TAM Airlines and other airlines. She is a Chemical Engineering graduate from the Polytechnic School of the University of Sao Paulo, and she holds an MBA from the Harvard Business School.

RAMIRO ALFONSÍN

Chief Financial Officers
RUT: 22.357.225-1

Ramiro Alfonsin has been the Chief Financial Officer at LATAM Airlines Group since July 2016. Prior to entering LATAM, he worked 16 years for ENDESA, a leading company in the generation and distribution of energy in Spain, Italy, and Chile. At this company, he was the general assistant manager and director of Finance for their operations in Latin America. Prior to joining the public service sector, he worked for 5 years in Investment and Corporate Banking at large European banks. Mr. Alfonsin holds a degree in Business Administration from the Pontifical Catholic University of Argentina.

ROBERTO ALVO

Chief Commercial Officer
RUT: 8.823.367-0

Roberto Alvo Milosawlewitsch has been the Chief Commercial Officer of LATAM Airlines Group since 2017. In his current position, Mr. Alvo is responsible for managing all the revenues from the Group's passenger and cargo businesses, and all the Company's commercial functions are reported to him. He was formerly the senior vice-president of International and Alliances at LATAM Airlines Group, and vice-president of Corporate Functions. Mr. Alvo joined LAN Airlines in November 2001, serving as director of Administration and Finance of LAN Argentina, as Manager of Development and Financial Planning at LAN Airlines, and as Assistant Manager of Finance at LAN Airlines. Prior to joining the company, he worked for Sociedad Química y Minera de Chile S.A. He is a civil engineer, and holds an MBA from IMD in Lausanne, Switzerland.

HERNÁN PASMAN

Chief Operating Officer
RUT: 21.828.810-3

Hernan Pasman is the Chief Operating Officer at LATAM Airlines Group, a position he has held since October 2015. He joined LAN Airlines in 2005, as head of Management Planning and Control of the technical departments. Between 2007 and 2010, he was the vice-president of Operations and Maintenance of LAN Argentina, and later became the general manager of LAN Colombia in 2011. Formerly, between 2001 and 2005, he was a consultant for Mckinsey and Company in Chicago. Between 1995 and 2001, he held positions in Citicorp Equity Investments, Teléfonica, and Motorola in Argentina. Mr. Pasman holds a Civil Engineering degree from ITBA (1995) and an MBA from Kellogg Graduate School of Management (2001).

JUAN CARLOS MENCIÓ

Legal vice-president
RUT: 24.725.433-1

Juan Carlos Menció has been the vice-president of Legal Affairs and Compliance for LATAM Airlines Group since September 1, 2014. Formerly, and since 1998, he acted as legal director for LATAM Airlines Group and its related companies, for its operations in North America and for its cargo operations worldwide. Prior to joining LATAM, he was in private practice in New York and Florida representing various international airlines. Mr. Menció 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.

EMILIO DEL REAL

Vice-president of Human Resources
RUT: 9.908.112-0

Mr. Emilio del Real is the vice-president of Human Resources at LATAM Airlines Group, a position he has held since August 2005. Between 2003 and 2005, he was the Human Resources Manager of D&S, a Chilean retail company. Between 1997 and 2003, Mr. del Real held several positions at Unilever, including Human Resources Manager of Unilever Chile, manager of Executive Development for Customer Management in Latin America, and Manager of Training and Recruitment. Mr. del Real has a degree in Psychology from the Gabriela Mistral University.

OWNERSHIP STRUCTURE

SHAREHOLDERS' AGREEMENT

Following the combination between LAN and TAM in June 2012, LAN Airlines S.A. was transformed into "LATAM Airlines Group S.A." and TAM continues to exist as a subsidiary Holdco I and LATAM. In order to execute this combination, TAM's controlling shareholders created four new closely-held stock companies pursuant to Chilean law: TEP Chile, Holdco I, Holdco II and Sister Holdco. Upon execution of the above-referred transaction, Holdco II and Sister Holdco ceased to exist.

Prior to such business combination, LATAM Airlines Group and its controlling shareholders executed several shareholders' agreements with TAM, its shareholders (acting through TEP Chile) and Holdco I, thus establishing agreements and restrictions related to corporate governance in an attempt to balance the interests of the LATAM Airlines Group, as the owner of substantially all economic rights in TAM, and TAM's controlling shareholders, as the continuing controlling shareholders of TAM pursuant to Brazilian law. In order to achieve these objectives, the various shareholders' agreements prohibited undertaking certain actions and making important corporate decisions without the prior approval of a qualified majority of its shareholders and/or the Board of Directors of Holdco I or TAM. Moreover, these shareholders' agreements also establish the parties' covenants regarding the governance and management of the LATAM Airlines Group, subsequent to the combination of LAN and TAM businesses.

The LATAM Group's governance and management

Insofar as the governance and management of the LATAM Group is concerned, there are different shareholders' agreements:

1. Shareholders' agreement of the controlling group: executed between the controlling shareholders of LATAM and TEP Chile, establishing agreements with respect to the corporate governance, control and operation of LATAM, Holdco I, TAM and their respective subsidiaries. It also governs the votes and transfers of the ordinary shares of the LATAM Airlines Group and the voting shares of Holdco I owned by TEP Chile.

2. Shareholders' agreement between the LATAM Airlines Group and TEP: executed between LATAM and TEP Chile; wherein, among other subject matters, it establishes agreements regarding the corporate governance, management and operation of LATAM. It also governs the relationships between LATAM and other LATAM Group members.

3. Shareholders' agreement of Holdco I: executed between LATAM, Holdco I and TEP Chile establishing agreements with respect to the corporate governance, management and operation of Holdco I, as well as the votes and transfer of the voting shares of Holdco I.

4. Shareholders' agreement of TAM: executed between LATAM, Holdco I, TAM and TEP Chile, establishing the agreements related to the corporate governance, management and operation of TAM and its subsidiaries.

Following the combination of the business of LAN and TAM, the Holdco I and the TAM shareholders' agreements establish the covenants between the parties with respect to the governance and management of Holdco I, TAM and its subsidiaries (collectively, the "TAM Group").

Following are the key provisions of the Shareholders' agreements referred to in paragraphs 1 and 2 above. It is important to note, however, that the rights and obligations of the members of the Controlling Group are indeed governed by the terms and conditions of such shareholders' agreements and not by the summary of any of such agreements contained in this integrated report.

Board membership of the LATAM Airlines Group
Since April 2017, there no restrictions in the Shareholders agreement in regards to the Board Member of LATAM Airlines Group. Once chosen the board members, in compliance with the Chilean regulation, LATAM Airlines Group's board has the right to designate any of its members as the Chairman thereof, in compliance the governing statues. Thereby, in May 2017, Mr. Ignacio Cueto Plaza was voted Chairman of the Board. In April 2017, Mr. Mauricio Amaro left the Board of LATAM Airlines Group, with Mr. Henri Philippe Reichstul being re-elected as board member in April 2017 with the votes of TEP Chile S.A., in compliance with the local regulation.

Management of the LATAM Airlines Group
In June 2012, Enrique Cueto Plaza became LATAM's CEO ("LATAM CEO"). The position of LATAM CEO is the top-ranking position in the LATAM Airlines Group, who reports directly to the LATAM's Board of Directors. The LATAM CEO is in charge of overall supervision, direction and control of the LATAM Airlines Group's business and certain other responsibilities set forth in the Shareholders' Agreement of the LATAM Airlines Group and TEP. Upon the eventual departure of LATAM's current CEO, the LATAM Board of Directors will appoint his successor after receiving a recommendation from the Leadership Committee.

The main headquarters of the LATAM Airlines Group are still located in Santiago, Chile.

Following are the key provisions of the Shareholders' agreements referred to in the preceding paragraphs 3 and 4. It is important to note, however, that the rights and obligations of the members of the Controlling Group are indeed governed by the terms and conditions of such shareholders' agreements and not by the summary of any of such agreements contained in this integrated report.

Board membership of HOLDCO I and TAM
The shareholders' agreement of Holdco I and the shareholders' agreement of TAM provide, in general terms, identical board memberships and the same Holdco I and TAM CEO; whereupon LATAM appoints two board members and TAM appoints four board members (including the Chairman of the Board).

Maria Cláudia Oliveira Amaro resigned from her position as board member on September 8, 2014 and in her replacement, the Board appointed, Mr. Henri Philippe Reichstul. TAM's Board membership was totally renewed on April 2015.

The shareholders' agreement of the controlling group establishes that the persons elected by or on behalf of LATAM's controlling shareholders or TAM's controlling shareholders, as board members of LATAM's Board of Directors, will also serve as members of the Board of Directors of Holdco I and TAM.

Management of HOLDCO I and TAM
The affairs and day-to-day business of Holdco I shall be managed by the CEO of the TAM Group under the supervision of the Board of Directors of Holdco I. The affairs and dayto-day business of TAM will be managed by the Board of Directors of TAM under the supervision of the Board of Directors of TAM. The "TAM Board" shall be comprised of the TAM Group's CEO, TAM's CFO, TAM's COO

and TAM's CCO. Currently, the position of TAM CEO is being performed by Ms. Claudia Sender. The TAM Group's CEO will be in charge of overall supervision, direction and control over the business and operations of the TAM Group (on matters not related to the LATAM Group's international passenger business) and will perform all orders and resolutions issued by TAM board members. The initial TAM CEO, "CFO of TAM'S CFO" has been jointly appointed by LATAM and TEP Chile and any successor of the CFO shall be designated by TEP Chile from among three candidates proposed by LATAM. The TAM COO, "TAM's COO", and the commercial manager of TAM, "TAM's CCO", shall be jointly appointed and recommended to TAM's Board of Directors by the CEO of the TAM Group and TAM's CFO; additionally, he/she must be approved by TAM's Board of Directors. These shareholders' agreements also govern the composition of the board of directors of TAM's subsidiaries.

Following the combination, TAM still has its main headquarters located in São Paulo, Brazil.

Actions requiring qualified majority votes
Certain actions of Holdco I or TAM require approval by a qualified majority of the board or the shareholders of Holdco I or TAM; which, indeed require the approval of LATAM and TEP Chile before such actions can be carried out.

Those actions requiring qualified majority votes by the boards of Holdco I or TAM are the following:

> approving the annual budget and business plan and the multi-year business (collectively known as the "Approved Plans"), and also the amendments to these plans;

> carrying out or agreeing to carry out any action that causes, or that may reasonably cause, individually or in aggregate form any capital, operational or other costs of any TAM company and its subsidiaries greater than (i) the lesser of 1% of revenues or 10% of the profits under the Approved Plans, with respect to actions affecting income statement items; or (ii) the lesser of 2% of assets or 10% of cash and cash equivalents (as defined by the IFRS) as established in the provisions of the Approved Plans and in effect, in relation to actions affecting the cash flow statement;

> the creation, disposal or admission of new shareholders in one of the subsidiaries of the relevant company, except to the extent that it is expressly contemplated in the Approved Plans;

> approving the acquisition, disposal, modification or encumbrance by any TAM company of any assets above $15 million or of any share value or securities convertible into shares of any TAM company or of the Company, except to the extent that it is expressly contemplated in the Approved Plans;

> approving any investment in assets not related to the corporate purpose of any TAM company, except to the extent that it is expressly contemplated in the Approved Plans;

> executing any contract amount in excess of $15 million, except to the extent that it is expressly contemplated in the Approved Plans;

> executing any contract related to the distribution of profits, company associations, business collaborations, alliance memberships, code-sharing agreements, with the exception of those approved in the business plans and budget, except to the extent that they are expressly contemplated in the Approved Plans;

> setting, modifying or waiving any right or claim of a relevant company or its subsidiaries in excess of $15 million, except to the extent that it is expressly contemplated in the Approved Plans;

> starting, participating in, committing or establishing any important action with respect to any litigation or legal proceeding in excess of $15 million, related to the relevant company, except to the extent that it is expressly contemplated in the Approved Plans;

> approving the execution, modification, termination or ratification of agreements with third parties, except to the extent that they are expressly contemplated in the Approved Plans;

> approving any financial statement, modifications, or any accounting policy, regarding dividends or taxes relevant to the company;

> approving the granting of any interest of securities or guarantees of third party obligations;

> appointing executives other than the CEO of Holdco I or the Board of Directors of TAM or re-electing TAM's current CEO or CFO; and

> approving any voting of the relevant company or its subsidiaries in their capacity as shareholders.

Those actions requiring qualified majority votes by the shareholders are the following:

> approving any modification of the bylaws of any relevant company or its subsidiaries in relation to the following subject matters: (i) corporate objectives; (ii) corporate equity capital; (iii) rights inherent to each class of shares and their shareholders; (iv) the powers of ordinary shareholder meetings or limitations to the powers of the board of directors; (vi) the deadline; (vii) the change of the main headquarters of a relevant company; (viii) the composition, powers and commitments of the management of any relevant company; and dividends and other distributions;

> approving the dissolution, settlement or liquidation of a relevant company;

> approving the transformation, merger, division or any type of corporate reorganization of a relevant company;

> paying or distributing dividends or any other type of distribution to shareholders;

> approving the issue, withdrawal or amortization of debt instruments, shares or convertible securities;

> approving a disposal plan for the sale, encumbrance or other involving 50% or more of the assets, as determined by the previous-year balance sheet of Holdco I;

> approving the disposal for the sale, encumbrance or other involving over 50% of the assets of a Holdco I subsidiary representing at least 20% of Holdco I or approving to sell, encumber or dispose of shares in a manner such that Holdco I would lose control;

> approving the concession of interests over instruments of guarantees toward guaranteeing obligations in excess of 50% of the assets of a relevant company; and

> approving the execution, modification, terms or ratification of acts or agreements with related parties, but only in those cases in which the applicable law requires the approval of such matters.

Voting agreements, transfers and other agreements

The controlling group of LATAM and TEP Chile has agreed, in the Shareholders' Agreement of the Controlling Group, to vote their respective ordinary LATAM Airlines Group shares as follows:

> until that moment, TEP Chile sells any of its ordinary LAN shares (other than the exempt shares, as defined herein below, and owned by TEP Chile), the Controlling Group of LATAM Airlines Group will vote its ordinary LATAM Airlines Group shares to elect to the Board of Directors of LATAM Airlines Group any person designated by TEP Chile, unless TEP Chile owns enough ordinary shares of LATAM Airlines Group in order to directly elect two board members of the LATAM Airlines Group;

> the parties agree to vote their ordinary LATAM Airlines Group shares to support the other parties in removing or replacing board members or others designated by the Board of LATAM Airlines Group;

> the parties agree to consult among them and make use of their good faith efforts to achieve agreements and act jointly in all actions (except in those actions that require majority approval pursuant to the Chilean law) and be considered by the Board of Directors of the LATAM Airlines Group or by the shareholders of the LATAM Airlines Group;

> the parties agree to maintain the size of the Board of Directors of the LATAM Airlines Group at a total of nine (9) board members and maintain the quorum required by the majority of the Board of Directors of the LATAM Airlines Group; and

> in case that, after endeavoring in good faith efforts aimed at reaching an agreement with respect to any action requiring a qualified majority vote pursuant to the Chilean law and a period of mediation, the parties do not reach such agreement, then, TEP Chile has agreed to give its vote to the subject matter requiring a qualified majority vote as indicated by the controlling shareholders of the LATAM Airlines Group; which we refer to as "direct vote".

The number of TEP Chile "exempt shares" means that the number of ordinary shares of the LATAM Airlines Group that TEP Chile owns immediately after the effective date in excess of 12.5% of the valid ordinary shares of LATAM Airlines Group shall be determined on the basis of a total dilution.

The parties to the Holdco I shareholders' agreement and to the TAM shareholders' agreement have agreed to vote their Holdco I voting shares and TAM shares so as to make effective the agreements related to the above-discussed representation of the board of directors of TAM.

Restrictions to the transfers

Pursuant to the Shareholders' Agreement of the Controlling Group, the controlling shareholders of the LATAM Airlines Group and TEP Chile are subject to certain restrictions regarding the sale, transfer and encumbrance of the ordinary shares of the LATAM Airlines Group and (only in the case of TEP Chile) the voting shares of Holdco I. With the exception of a limited amount of the ordinary shares of the LATAM Airlines Group, neither the controlling shareholders of the LATAM Airlines Group nor those of TEP Chile are authorized to sell the ordinary shares of the LATAM Airlines Group, nor can TEP Chile sell its shareholding rights to Holdco I until June 2015. Subsequently, the sale of the ordinary shares of the LATAM Airlines Group by any of the parties shall be allowed, subject to (i) certain limitations of volume and frequency of such sale, and (ii) only in the case of TEP Chile, the latter company must meet certain minimum property ownership requirements. After June 2022, TEP Chile shall be entitled to sell all its shares of the LATAM Airlines Group and shareholding rights over Holdco I in one block, subject to the following conditions: (i) LATAM Board's approval of the assignee; (ii) that the sale does not have an adverse effect; and (iii) that the preferred purchase option be in favor of the controlling shareholders of the LATAM Airlines Group; conditions to which we refer, collectively, as "block sale provisions". An "adverse effect" is so defined in the Shareholders' Agreement of the Controlling Group as a significant adverse effect in the capacity of Holdco I to receive the total benefits of the property ownership of TAM and its subsidiaries in order to operate the airline business worldwide. The controlling group of the LATAM Airlines Group has agreed to transfer all the voting shares of Holdco I acquired pursuant to LATAM's preferred purchase option, for the same price paid for such shares.

Additionally, TEP Chile is entitled to sell as of June 2015 all the ordinary shares of the LATAM Airlines Group and voting shares of Holdco I, subject to meeting the block sale clause, should a liberation event (as described previously) should occur or if TEP Chile is required to exercise one or more directed votes during any 24-month period in two (consecutive or not) shareholders' meetings of the LATAM Airlines Group held at least 12 months apart, and if the LATAM Airlines Group would not have totally exercised the conversion of options described previously. A "disclosure event" will occur if: (i) there is a capital increase of the LATAM Airlines Group; (ii) TEP Chile does not exercise all its preferred rights granted pursuant to the applicable Chilean law with respect to the capital increase in relation to all of LATAM Airlines Group's restricted ordinary shares; and, (iii) after completing the capital increase, the person designated by TEP Chile for the voting of the Board of Directors of the LATAM Airlines Group with the collaboration of the Controlling Group of the LATAM Airlines Group, is not elected as board member of the LATAM Airlines Group.

Additionally, after June 22, 2022 and before the capitalization date of the entire property (as described below under Section "Conversion option"), TEP Chile could sell all or part of its LATAM Airlines Group's ordinary shares, subject to: (i) the preferred option right in favor of LATAM's controlling shareholders; and (ii) the restrictions to the sale of ordinary shares of the LATAM Airlines Group more than once during a 12-month period.

The shareholders' agreement of the controlling group provides certain exceptions to these transfer restrictions for certain pledged shares of the LATAM Airlines Group realized by the parties and for transfers to subsidiary companies, in each case open to certain limited circumstances.

Additionally, TEP Chile accepted, in the Shareholders' Agreement of Holdco I, not to vote its Holdco I voting shares, or take any action in support of any transfer on the part of Holdco I of shares or convertible securities into shares issued by them or by TAM or by any of its subsidiaries without LATAM's prior written consent.

Restrictions to TAM shares transfers

In the Shareholders' Agreement of Holdco I, LATAM agreed not to sell or transfer TAM shares to any person (other than our subsidiaries), for as long as TEP Chile owns Holdco I voting shares. Without prejudice of the foregoing, LATAM shall be entitled to carry out such sales or transfers if, simultaneously with such sales or transfers, LATAM (or its assignee) would acquire all of Holdco I's voting shares owned by TEP Chile for an amount equal to TEP Chile's then in effect taxable base with respect to such shares and pay any cost in which TEP Chile might have to incur in order to carry out such sale or transfer. TEP Chile has irrevocable assigned to LATAM the assignable right to acquire all of Holdco I's voting shares owned by TEP Chile related to such sale.

Conversion option

Pursuant to the Shareholders' Agreement of the Controlling Group and the Shareholders' Agreement of Holdco I, LATAM is unilaterally entitled to convert our non-voting Holdco I shares into Holdco I voting shares up to the maximum allowed by law, and to increase our representation in the Boards of Directors of both TAM and Holdco I as permitted by the Brazilian laws that govern foreign property ownerships and by other applicable laws if the conversion would not have an adverse effect (as previously defined in the section on "Transfer Restrictions").

During or after June 2022, and after LATAM would have totally converted all its Holdco I non-voting shares into Hold I voting shares, as allowed by Brazilian laws and other applicable laws, LATAM shall be entitled to acquire all of Holdco I's voting shares owned by TAM's controlling shareholders for an amount equal to their taxable base with respect to such shares and pay any cost that might be incurred in order to materialize such sale; an amount to which we shall refer as "sale consideration". If LATAM does not exercise its right to acquire such shares on a timely basis, or if, after June 2022 LATAM should be entitled, pursuant to Brazilian laws and other applicable laws, to convert all of Holdco I's non-voting shares into Holdco I voting shares, and if such conversion would not have an adverse effect but we would not have exercised such right fully and totally during a specific period of time, then, the controlling shareholders of TAM would be entitled to offer us their Holdco I voting shares for an amount equal to the sale price.

Acquisition of TAM's shares

The parties hereto have agreed that all acquisitions of TAM's ordinary shares by the LATAM Airlines Group, Holdco I, TAM or any of their respective subsidiaries as of and after the effective date of business combination shall be carried out by Holdco I. Insofar as the main organs of Corporate Governance of the LATAM Airlines Group are concerned, they are: the Board of Directors and the Directors' Committee (which, additionally, embodies the functions of Audit Committee for the purposes of the Sarbanes-Oxley Act of the United States of America), along with the Committees of Strategy, Finance, Leadership and Product, Brand and Frequent Flyer Program created following the association between LAN and TAM. The main powers of such corporate organs are specified below.

LONG-TERM VISION

MEMBERSHIP OF ASSOCIATIONS [102-13]

Argentina

> Cámara de Comercio Argentino Brasilera
> Cámara de Compañías aéreas de Argentina (JURCA)
> Centro de Implementación de Políticas Públicas para la Igualdad y el Crecimiento (CIPPEC)
> Consejo Empresario Argentino para el Desarrollo Sostenible (CEADS)
> Ecomania
> Instituto para el Desarrollo Empresarial de la Argentina (IDEA)
> Pacto Global
> Red de Acción Política (RAP)

Ecuador

> Asociación de Representantes de Líneas Aéreas del Ecuador (ARLAE)
> Cámara de Industrias de Guayaquil
> Cámara de Comercio de Guayaquil
> Cámara de Industrias y Producción de Quito
> Cámara de Turismo del Guayas
> Cámara de Turismo de Galápagos

Colombia

> Asociación de transporte Aéreo de Colombia (ATAC)
> Cámara de Comercio e Industria Colombo Chilena

Peru

> Asociación de Empresas de Transporte Aéreo Internacional (AETAI)
> Asociación Peruana de Empresas Aéreas (APEA)
> Cámara Binacional de Comercio Peruano Uruguaya
> Cámara Binacional Perú-Brasil (CAPEBRAS)
> Cámara de Comercio Americana del Perú (Amcham)
> Cámara de Comercio Chileno-Peruana
> Cámara Nacional de Turismo (CANATUR)
> Empresa Municipal de Festejos del Cusco (EMUFEC)
> Perú 2021
> United Nations Development Program (UNDP) – Empresas que inspiran – Voluntariado Corporativo
> Sociedad de Comercio Exterior del Perú (COMEXPERÚ)
> Sociedad Nacional de Industrias

Chile

> Asociación Chilena de Aerolíneas (ACHILA)
> Cámara Chileno-Brasileña de Comercio (CBC)
> Cámara Chileno Norteamericana de Comercio (Amcham – Chile)
> Cámara de Comercio Chileno-Argentina
> Cámara Chileno-Colombiana de Comercio
> Cámara de Comercio Chileno-Peruana
> Cámara de Comercio de Santiago
> Cámara Oficial Española de Comercio de Chile
> Federación de las Empresas de Turismo de Chile (Fedetur)
> Instituto Chileno de Administración Racional de Empresas (ICARE)
> Pacto Global
> Sociedad de Fomento Fabril

Brazil

> Asociación Internacional de Transporte Aéreo (IATA)
> Associação Brasileira de Agências de Viagens (Abav)
> Associação Brasileira de Anunciantes (ABA)
> Associação Brasileira de Comunicação Empresarial (Aberje)
> Associação Brasileira dos Consolidadores de Passagens Aéreas e Serviços de Viagens (AirTKT)
> Associação Brasileira das Empresas Aéreas (Abear)
> Associação Brasileira de Franchising (ABF)
> Associação Brasileira de Logística (Abralog)
> Associação Brasileira das Operadoras de Turismo (Braztoa)
> Associação Brasileira de Relações Empresa-Cliente (Abrarec)
> Associação Latino-Americana de Gestão de Eventos e Viagens Corporativas (Alagev)
> American Chamber of Commerce (Amcham Brasil)
> Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS)
> Rede Empresarial WWF
> Conselho Nacional de Auto-regulamentação Publicitária (Conar)
> Flight Safety Foundation (FSF)
> Grupo de Estudos Tributários Aplicados (Getap)
> Instituto Brasileiro de Executivos de Finanças (Ibef)
> Instituto Brasileiro de Hospitalidade Empresarial (IBHE)
> Interactive Advertising Bureau (IAB Brasil)
> Junta de Representantes das Companhias Aéreas Internacionais do Brasil (Jurcaib)
> Oficina de Convenciones de Sao Paulo – Fundação 25 de Janeiro
> Sindicato Nacional das Empresas Aéreas (SNEA)

REGULATORY FRAMEWORK

CHILE'S AERONAUTIC REGULATIONS

Both the General Bureau of Civil Aviation (DGAC, in its Spanish acronym) as well as the Civil Aeronautics Board (JAC, in its Spanish acronym) supervise and regulate Chile's aviation industry. The DGAC reports directly to the Chilean Air Force and is responsible for ensuring compliance of the country's laws and regulations governing aviation. The JAC is Chile's civil aviation authority.

Primarily by virtue of Executive Order N° 2,564, that governs civil aviation, the JAC regulates the allocation of domestic and international routes and the DGAC regulates flight operations, which include personnel, aircraft, security levels, air traffic control and airport management.

We obtained and continue to have the authorization that is required by the Chilean government to perform flight operations, including the JAC certificates and the DGAC operative and technical certificates, whose period of effectiveness are subject to the continuous compliance with the statutes, rules and regulations that govern the aeronautic industry, including any rule or regulation to be issued in the future.

Chile is a signatory state as well as a permanent member of the International Civil Aviation Organization (ICAO), a United Nations organization established in 1947 aimed at assisting in the planning and development of international air transport.

The ICAO establishes the international aeronautic industry's technical guidelines; which, in turn, have been incorporated into our country's laws and regulations by the Chilean authorities.

In the absence of an applicable Chilean standard related to security or maintenance matters, the DGAC has incorporated most of OACI's technical guidelines by way of references. We are certain to comply with all relevant technical guidelines.

ROUTING RIGHTS

National routes

Chilean Airlines are not required to obtain permits to transport passengers or cargo on domestic routes, but only to comply with the technical and insurance requirements established by the DGAC and the JAC, respectively. Nevertheless, there are no regulatory barriers preventing foreign airlines to create a Chilean subsidiary company and enter the country's domestic market via such subsidiary. On January 18, 2012, Chile's Transportation Ministry and Economics Ministry announced that the country was adopting a unilateral open skies policy. The foregoing was subsequently confirmed on November 2013 and remains in effect to this date.

International routes

As an airline that provides services in international routes, LATAM Airlines is also subject to a number of bilateral international civil transportation agreements that establish reciprocal air traffic rights between Chile and several other countries.

Since there is no guarantee whatsoever that such currently existing bilateral agreements between Chile and those foreign governments will remain in effect, a modification, suspension or revocation of one or more of such international agreements could damage our operations and financial results.

International route rights, as well as their corresponding landing rights, are derived from a number of international transport agreements negotiated between Chile and other foreign governments. By virtue of such agreements, the government of one of such countries grants another government the right to assign the operation of scheduled flight services between certain destinations of that country to one or more of its domestic airlines.

When Chile opens routes to and from foreign cities, any airline that meets the necessary requirements may bid for their use. If there is more than one bidder for a given route, then, the JAC awards it for a 5-year period via a public contest. The JAC awards grants the use of routes under the condition that the awarded bidding airline operate them continuously. Were an airline to cease to operate a given route during a 6-month period or more, the JAC is entitled to revoke its rights over such route. International routes can transfer their use without cost. In the past, generally, we have only paid nominal amounts for the right to use international routes awarded via public contests in which we were the only bidder.

INTERNATIONAL RATE-FIXING POLICY

Chilean airlines are free to fix their own domestic and international rates without any government regulation whatsoever.

In 1997, Resolution N° 496 issued by the Hon. Resolutory Commission (predecessor of the Hon. Free Competition Tribunal) approved a self-regulating tariff plan submitted by LATAM for its domestic operations in Chile.

Said plan was submitted in compliance with what was ordered in 1995 by Resolution N° 445 of the Hon. Resolutory Commission. In general terms, according to this plan, we must ensure that the yields of routes classified as “noncompetitive” by Resolution N° 445 do not exceed the yields of routes of a similar distance defined as “competitive” by the same resolution, and inform the JAC about tariff reductions or increases in “non-competitive” and “competitive” routes, in the manner and within the deadlines indicated in the referred self-regulation plan.

AIRCRAFT REGISTRATION

The Chilean Aeronautics code (CAC, in its Spanish acronym) governs the registration of aircraft in Chile. In order for an aircraft to be registered or remain registered in Chile, its owner must be:

> A natural person of Chilean nationality.

> A juridical person incorporated in Chile whose main legal domicile and its real and effective headquarters are in Chile, and whose majority capital is owned by natural or juridical Chilean persons, among other requirements established in article 38 of the CAC.

> The Aeronautic Code expressly entitles the DGAC to permit registering aircraft whose property owners are not natural or juridical Chilean persons, provided that they have a permanent commercial domicile in Chile. Aircraft owned by foreigners, but that are operated by Chileans or by an airline affiliated to a Chilean aviation entity may, likewise, be registered in Chile. The registration of any aircraft can be revoked in case of failure to comply with the registration requirements and, particularly, in the following cases:

> If its property ownership requirements are not met.

> It the aircraft does not meet any of the applicable safety requirements established by the DGAC.

PREVENTION

The DGAC requires that any aircraft operated by a Chilean airline is registered before the DGAC or before another equivalent entity empowered as supervisor in another country. Every aircraft must have its own airworthiness certificate; whether issued by the DGAC or by another equivalent non-Chilean entity with supervising powers. Moreover, the DGAC does not issue a maintenance permit to a Chilean airline until the DGAC has evaluated that airline’s capacity to perform such maintenance.

The DGAC renews maintenance permits annually and has indeed approved our maintenance operations. Only such maintenance facilities certified by the DGAC or by an equivalent non-Chilean entity with supervising powers in the country in which the aircraft is registered may perform maintenance and repair work to aircraft operating in Chile.

Likewise, aircraft maintenance personnel working at such facilities must be certified by the DGAC or by an equivalent non-Chilean entity with supervising powers before assuming any aircraft maintenance position.

SAFETY

The DGAC establishes and supervises the execution of safety standards and regulations in Chile’s commercial aeronautic industry.

Such standards and regulations are based on the standards developed by international commercial aeronautic organizations. Each of Chile’s airlines and airports must submit before the DGAC an air safety manual describing the safety procedures that they execute in their daily commercial aviation operations, as well as their personnel training procedures with respect to safety. LATAM has already submitted its air safety manual to the DGAC. Chilean airlines operating international routes must adopt safety measures pursuant to the applicable requirements of international bilateral agreements.

AIRPORT POLICIES

The DGAC supervises and manages Chile’s domestic airports, including takeoff and landing charges. The DGAC proposes airport costs to be approved by the JAC, and the same are subsequently applied to all airports nationwide. Ever since the mid 90's, a number of Chilean airports have been privatized, including Santiago's Arturo Merino Benítez International Airport. Airport Managers manage private airport facilities under the supervision of the DGAC and the JAC.

ENVIRONMENTAL AND NOISE REGULATIONS

There are no significant environmental standards or controls imposed on airlines applicable to aircraft nor that would affect us within Chile, except for the environmental laws and standards of general application. Currently, neither are there noise restriction standards applicable to aircraft within Chile. Nevertheless, Chilean authorities intend to issue environmental noise regulations to govern aircraft flying toward and within the country.

The regulation that has been proposed will require such aircraft to meet specific noise restrictions, which the market nowadays refers to as Stage 3 Standards.

Most of LATAM's fleet already meets the proposed restrictions; therefore, we consider that issuing such standards will not impose a significant burden to our operations.

ANTITRUST LEGISLATION

Chile's antitrust authority, to which we refer to as the Free Competition Defense Tribunal (formerly, the Antitrust Commission, and heretofore the "TDLC"), oversees antitrust affairs governed by Executive Order N° 211 of 1973 and its eventual subsequent amendments, or the Antitrust Law. The Antitrust Law forbids any entity to impede, restrict or distort free competition in any market or any sector of any market.

The Antitrust Law forbids, additionally, any company having a dominant position in any market or that has dominates a substantial part of any market, to abuse its position.

Any damaged person is entitled to file suit for damages resulting from the non-compliance of the Antitrust Law and/ or to file a claim before the Antitrust Tribunal so that the latter orders putting an end to such Antitrust Law infringement.

The TDLC is empowered to impose a variety of sanctions to Antitrust Law violations, including the termination of contracts that infringe the Antitrust Law, the dissolution of companies and the imposition of penalties and daily sanctions to companies. The courts of justice may order the payment of indemnity for damages, as well as other relief measures (such as injunction) whenever appropriate. In October 1997, the Antitrust Tribunal approved our self-regulating tariff plan.

Ever since October 1997, LAN Airlines S.A. and LAN Express abide by a self-regulating plan that was amended and approved by the free competition tribunal in july 2005 and also in september 2011.

In February 2010, the National Economic Affairs Investigation Bureau (FNE, in its Spanish Acronym) completed the investigation initiated in 2007 with respect to our compliance with our self-regulating plan and no further observations were made.

By virtue of Resolution N° 37/2011, issued on September 21, 2011 (the "Resolution"), Chile's Hon. Free Competition Defense Tribunal approved the association between LAN and TAM, imposing 14 mitigation measures to LATAM, whose scope and regulation is established in the Resolution, as summarized below by way of reference:

01 To exchange 4 pairs of daily slots at the Guarulhos Airport in Sao Paulo, to be used exclusively for servicing non-stop flights along the SCL-GRU route.

02 To extend for a 5-year period its frequent flyer program to those airlines that operate (or state their interest in operating) the Santiago-Sao Paulo, Santiago-Río de Janeiro, Santiago-Montevideo and Santiago-Asunción routes, that apply to LATAM for an extension of the referred program for such route(s).

03 To execute inter-line agreements along the Santiago-Sao Paulo, Santiago-Río de Janeiro, and/or Santiago-Asunción routes, with those airlines interested in operating such routes and that so request it.

04 To adhere to certain temporary capacity and supply restrictions along the Santiago-Sao Paulo route.

05 To introduce and execute certain amendments into LATAM's Self-regulatory Tariff Plan, applicable to its domestic operations.

06. To renounce, before June 22, 2014, to one of the two worldwide alliances that LAN and TAM belonged to prior to the date of the Resolution.

07. To adhere to certain restrictions in the execution and maintenance of code-sharing agreements (without prior consultation with the Free Competition Defense Tribunal) along certain routes and with member airlines or associates of an alliance other than that to which LATAM belongs.

08. To adhere to certain restrictions, in their future bidding contest bids, regarding 3rd, 4th and 5th freedom rights between Santiago and Lima; and to renounce to four 5th freedom frequencies to Lima.

09. To express before air transport authorities their favorable opinion regarding Chile's unilateral open skies policy for domestic air traffic by airlines of other States, without requiring reciprocity.

10. To commit, in all pertinent matters, to promote the growth and normal operations of the airports of Guarulhos in São Paulo and Arturo Merino Benítez in Santiago.

11 To adhere to certain guidelines in the granting of incentives to travel agencies.

12 To temporarily maintain, except in cases of force majeure: i) at least 12 non-stop round-trip flights per week, directly operated by LATAM, in the routes between Chile and the United States; and, ii) at least 7 non-stop round-trip flights per week, directly operated by LATAM, in the routes between Chile and Europe.

13 To adhere to certain restrictions: in the average price of passenger transport airfares, corresponding to the Santiago-Sao Paulo and Santiago Río de Janeiro routes; and in the rates in effect and published, as of the date of the Resolution, for the transport of cargo in each of the routes between Chile and Brazil.

14 To hire an independent consultant, so that such third party provides advice to the FNE for a 3-year period in the supervision of LATAM's compliance with the Resolution.

Brazil's Administrative Council for Economic Defense (CADE, in its Portuguese acronym) unanimously approved the association between LAN and TAM at its meeting on December 14, 2011, subject to the following conditions:

01 The new group (LATAM) must renounce to one of the two worldwide alliances in which it heretofore participated (Star Alliance or OneWorld);

02 and, it must offer to exchange 2 pairs of slots at the Guarulhos International Airport for them to be used by a third-party interested in offering direct non-stop flights between Sao Paulo and Santiago, Chile.

The aforementioned conditions are consistent with the mitigation measures adopted in Chile by the TDLC.

Additionally, the association between LAN and TAM was submitted before the free competition authorities of Germany, Italy and Spain. All these jurisdictions granted their unconditional approval of this operation.

MATERIAL FACTS

APRIL 3, 2018
Proposal of Definitive Dividend Distribution

Pursuant to Bulleting No. 660, dated October 22, 1986 from your Commission, and with the due powers, I fulfill the duty of informing this Commission, as an Material fact, that in an Ordinary Meeting held on said date, the Board agreed to propose to the Ordinary Shareholders' Meeting convened for April 26, 2018, the distribution of Dividend No. 49, Definitive, until completing 30% of the profits settled from Fiscal Year 2017; That is, the sum equivalent in pesos to USD$46,591,192.86, which implies the distribution of a dividend worth USD$0.07683146734 per share, payable on Thursday, May 17, 2018, in its equivalent in pesos per the observed exchange rate published in the Official Gazette on the fifth business day prior to the distribution; that is, on May 11, 2018. If the dividend is approved in the terms proposed by the Board, all shareholders registered in the Shareholders Record at midnight of May 11, 2018 shall be entitled to receive said dividend.

APRIL 26, 2018
Communicating Material fact

Pursuant to the provisions of Bulletin No. 660, dated October 22, 1986 from your Commission, and with the due powers, I fulfill the duty of informing this Commission, as an Material fact, that in the Ordinary Shareholders' Meeting of LATAM Airlines Group S.A. ("LATAM") held on April 26, 2018, the distribution of a dividend marked as No. 49, Definitive, until completing 30% of the profits settled from Fiscal Year 2017; That is, the sum equivalent in pesos to USD$46,591,192.86, which implies the distribution of a dividend worth USD$0.07683146734 per share, payable on Thursday, May 17, 2018, in its equivalent in pesos per the observed exchange rate published in the Official Gazette on the fifth business day prior to the distribution; that is, on May 11, 2018.

All Company shareholders with shares registered in the Shareholders Record at midnight of the fifth business day prior to the distribution, that is at midnight on May 11, 2018, shall be entitled to receive said dividend proportionally to their stake in the share capital, based on the number of shares held.

The notice discussed in Section II of said Bulleting 660 shall be published on May 9, 2018, in Santiago newspaper "La Tercera".

Form No. 1, indicated in said Bulleting No. 660, is herein attached duly filled and signed.

MAY 7, 2018
Communicating Material fact

Pursuant to the provisions of Articles 9 and 10 of the Securities Market Law, and to the provisions of General Standard No. 30, duly empowered, I inform as a Material fact of LATAM Airlines Group S.A. ("LATAM Airlines"), registration No. 306 in the Securities Register, that:

On this date, LATAM Airlines and its affiliates Inversiones LAN S.A. and LAN Pax Group S.A. (jointly, the "Sellers"), sold, divested and transferred to Spanish companies Acciona Airport Services, S.A. and Acciona Aeropuertos, S.L. (jointly, the "Buyers") 100% of their shares (the "Shares") in the affiliate that carries out the *ground handling* business at the Santiago airport, Andes Airport Services S.A.

The abovementioned transaction is framed within the commitments undertaken by the Sellers and the Buyers pursuant to the Share Purchase Agreement dated October 4, 2017, which was reported to the Superintendence of Securities and Insurance through an material fact on that same date.

The Purchase price amounts to $24.3 billion, which is subject to the usual adjustments due to variations in net debt and working capital at the close.

Last, we inform you that the transaction alluded herein shall have a positive effect of USD$25 million in the Company's results.

AUGUST 7, 2018
Communicating Material fact

Pursuant to the provisions of Articles 9 and section two of Article 10 of the Securities Market Law, and to the provisions of General Standard No. 30, duly empowered, I inform herein the following MATERIAL FACT of LATAM Airlines Group S.A. ("LATAM Airlines"), registration No. 306 in the Securities Register:

LATAM's board admitted the resignation filed by Mr. Antonio Luiz Pizarro Manso to the position of Company director, effective today. For his replacement and in application of the power contained in Article 32 of Law no. 18,046 on Public Limited Companies, the Board agreed in an ordinary session held today, August 7, 2018, to appoint as a LATAM director Ms. Sonia Villalobos. Thereby, in the next LATAM Ordinary Shareholders' Meeting, the board must be chosen and renewed.

SEPTEMBER 5, 2018
Communicating Material fact

Pursuant to the provisions of Articles 9 and 10 of the Securities Market Law, and to the provisions of General Standard No. 30, duly empowered, I inform as an Material fact of LATAM Airlines Group S.A. ("LATAM Airlines"), registration No. 306 in the Securities Register, that:

As is publicly known, our subsidiary TAM SA is the holder of roughly 73% of Multiplus S.A. ("Multiplus"), a Brazilian company trading on the B3 Novo Mercado, the Brazilian stock exchange, under ticker MPLU3.

Multiplus is a coalition of loyalty programs, in order to operate point accumulation and trade transactions. This program has a network comprised by associated companies including, among others, hotels, financial institutions, retail companies, supermarkets, car leasing, and magazines.

To implement its point accumulation and trade business, Multiplus maintains a contract of operation (the "Contract of Operation") with TAM Linhas Aereas SA ("LATAM Airlines Brazil), an affiliate of TAM SA, subscribed on January 1, 2010, and maturing in a period of 15 years, on December 31, 2024.

Yesterday, LATAM Airlines Brazil issued a communiqué to Multiplus, informing it of its intention to: (i) not renew or extend the Contract of Operation at maturity; and (ii) make a public tender offer for the shares that it doesn't own of Multiplus--roughly 27%—with the aim to cancel Multiplus' registry as a publicly traded company on the *Comissão de Valores Mobiliários* of the Federative Republic of Brazil (CVM)—the securities regulator—and delist it from the *Novo Mercado de B3—the Brazilian stock exchange*. This process is subject to approval from the Brazilian securities regulator and to the success of the tender offer.

Herein attached is the free translation of the *Fato Relevante*—communiqué—submitted by Multiplus to the *Comissão de Valores Mobiliários* (CVM) stating the above.

LATAM Airlines continues to assess the definitive scope of the financial effects that said information could have on the assets, liabilities, and results.

LATAM Airlines shall keep the Financial Market Commission duly informed of all relevant developments resulting from any link with the facts disclosed.

RISK MANAGEMENT

RISK FACTORS RELATING TO OUR COMPANY

Our assets include a significant amount of goodwill.

Our assets included US$2.29 billion of goodwill as of December 31, 2018. 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. In 2018, mainly as a result of the depreciation of the Brazilian real against the U.S. dollar during 2018, the value of our goodwill decreased by 14.2% as compared with 2017. Any impairment could result in the recognition of a significant charge to earnings in our 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 our strategy or a failure adjusting the strategy to the current economic situation would harm our business and the market value of our ADSs and common shares.

We have developed a strategic plan with the goal of becoming one of the most admired airlines in the world and renewing our commitment to sustained profitability and superior returns to shareholders. Our 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. A tenet of our strategic plan is the adoption of a new travel model for domestic and international services to address the changing dynamics of customers and the industry, and to increase our competitiveness. The new travel model is based on a continued reduction in air fares that makes air travel accessible to a wider audience, and in particular to those wish to fly more frequently. This model requires continued cost reduction efforts and increasing revenues from ancillary activities. In connection with these efforts, the Company is implementing a series of initiatives to reduce cost per ASK in all its domestic operations as well as developing new ancillary revenue initiatives.

Difficulties in implementing our strategy may adversely affect our business, results of operation and the market value of our ADSs and common shares.

A failure to successfully transfer the value proposition of the LAN and TAM brands to a new single brand, may adversely affect our business and the market value of our ADSs and common shares.

Following the combination in 2012, LAN and TAM continued to operate with their original brands. During 2016, we began the transition of LAN and TAM into a single brand. LAN and TAM had 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 our new single brand "LATAM". 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.

We may not be able to successfully integrate the frequent flyer programs of LAN and TAM or the operations of Multiplus S.A., our marketing rewards platform in Brazil.

We have integrated the separate frequent flyer programs of LAN and TAM so that passengers can use frequent flyer miles or points earned with either LAN or TAM interchangeably. During 2016, LAN and TAM announced their revamped frequent flyer programs, which have new names: LATAM Pass and LATAM Fidelidade, respectively. The change is part of the process of consolidating the airline group's new brand identity (LATAM) and the evolution of the programs, which enhances existing benefits and introduces new benefits for program members. However, there is no guarantee that full integration of the two plans 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. Moreover, during 2016, LATAM Pass and LATAM Fidelidade approved changes in their mileage earning policy, which may impact the attractiveness of the programs to passengers.

OUR BUSINESS

LATAM Airlines Brazil announced a tender offer for all of the outstanding common stock of Multiplus S.A. Multiplus is a coalition of loyalty programs for various retail products and services which allows our present flyers to accrue and redeem benefits through retail purchases in addition to flying. Following the tender offer, Multiplus became a wholly-owned subsidiary of LATAM Airlines Brazil. Accordingly, the Company plans to fully integrate the loyalty program in Brazil and enhance the benefits to all passengers of the LATAM Group. We cannot assure that we will be able to benefit our passengers in the way we expect. In addition, until we effectively combine these programs, passengers may prefer frequent flyer programs or other reward loyalty programs offered by other airlines, which may adversely affect our business.

Our financial results are exposed to foreign currency fluctuations.

We prepare and present our consolidated financial statements in U.S. dollars. LATAM and its affiliates 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. If the value of the Brazilian real, Chilean peso or other currencies in which revenues are denominated declines against the U.S. dollar, our results of operations and financial condition will be affected. 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.

We depend on strategic alliances or commercial relationships in many of the countries in which we operate, and our business may suffer if any of our strategic alliances or commercial relationships terminates.

We maintain a number of alliances and other commercial relationships in many of the jurisdictions in which LATAM and its affiliates operate. 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 deteriorates, or any of these agreements are terminated, our business, financial condition and results of operations could be adversely affected.

Our business and results of operations may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits. Also, technical and operational problems with the airport infrastructure of cities in which we have a focus may have a material adverse effect on us.

Our business depends upon our access to key routes and airports. Bilateral aviation agreements between countries, open skies laws and local aviation approvals frequently involve political and other considerations outside of our control. 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.

We operate numerous international routes subject to bilateral agreements, as well as domestic flights within Chile, Peru, Brazil, Argentina, Ecuador and Colombia, subject to local route and airport access approvals.

There can be no assurance that existing bilateral agreements with 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 restrict our route, airport or other access may have a material adverse effect on our business, financial condition and results of operations.

Moreover, our operations and growth strategy are dependent on the facilities and infrastructure of key airports, including Santiago's International Airport, São Paulo's Guarulhos and Congonhas International Airports, Brasilia's International Airport and Lima's Jorge Chavez International Airport.

Santiago's Comodoro Arturo Merino Benítez International Airport is currently facing an important expansion, which is expected to be completed by 2020. If the expansion is not carried out timely, this will likely reduce significantly our operations and adversely affect our ability to remain competitive.

One of the major operational risks we face on a daily basis at Lima's Jorge Chavez International Airport is the limited number of parking positions. Additionally, the indoor infrastructure of the airport limits our ability to manage connections and launch new flights due to the lack of gates and increasing security and immigration controls. We expect that for the next few years, Lima's airport's capacity will remain as it is today, limiting our ability to grow and affecting our competitiveness in the country and in the region.

Brazilian airports, such as the Brasília, and São Paulo (Guarulhos) international airports, have limited the number of slots per day due to infrastructural limitations. Any condition that would prevent or delay our access to airports or routes that are vital to our strategy, or our inability to maintain our existing slots and obtain additional slots, could materially adversely affect our operations.

A significant portion of our cargo revenue comes from relatively few product types and may be impacted by events affecting their production, trade or demand.

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, asparagus from Peru and fresh flowers from Ecuador and Colombia. Events that adversely affect the production, trade or demand for these goods may adversely affect the volume of goods that we transport and may have a significant impact on our results of operations. Future trade protection measures by or against the countries for which we provide cargo services may have an impact in cargo traffic volumes and adversely affect our financial results. 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 adversely impact our business.

Higher jet fuel prices could have a materially adverse 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 30.9% of our operating expenses in 2018. Both the cost and availability of fuel are subject to many economic and political factors and events that we can neither control nor predict, including international political and economic circumstances such as the political instability in major oil-exporting countries. Any future fuel supply shortage (for example, as a result of production curtailments by the Organization of the Petroleum Exporting Countries, or "OPEC"), a disruption of oil imports, supply disruptions resulting from severe weather or natural disasters, the continued unrest in the Middle East or other events could result in higher fuel prices or further reductions in scheduled airline services. We cannot ensure that we would be able to offset any increases in the price of fuel by increasing our fares. In addition, lower fuel prices may result in lower fares through the reduction or elimination of fuel surcharges. We have entered into fuel hedging arrangements, but there can be no assurance that such arrangements will be adequate to protect us from an 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, our hedging methods may also limit our ability to take advantage of any decrease in fuel prices, as was the case in 2015 and, to a lesser extent, in 2016.

We rely on maintaining a high aircraft utilization rate to increase our revenues and absorb our fixed costs, which makes us especially vulnerable to delays.

A key element of our strategy is to maintain a high daily aircraft utilization rate, which measures the number of 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 absorb the fixed costs associated with our fleet 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, unanticipated maintenance 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 and have a financial impact on our results.

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 become 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, 2018, LATAM Airlines Group has a fleet of 239 Airbus and 81 Boeing 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, aircraft delivery backlog or other factors;
- the interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for these aircraft;
- the issuance by the Chilean or other aviation authorities of directives restricting or prohibiting the use of our Airbus or Boeing aircraft, or requiring time-consuming inspections and maintenance;
- adverse public perception of a manufacturer as a result of safety concerns, negative publicity or other problems, whether real or perceived, in the event of an accident; 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 for 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.

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 fleet is subject to long-term operating leases. Our operating leases typically run from three to 12 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 service our debt or meet our future financing requirements.

We have a high degree of debt and payment obligations under our aircraft operating leases and financial debt arrangements. 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. Higher financing costs could affect our ability to expand or renew our fleet, which in turn could adversely affect our business.

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 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.

Moreover, external conditions in the financial and credit markets may limit the availability of funding at particular times or increase its costs, which could adversely affect our profitability, our competitive position and result in lower net interest margins, earnings and cash flows, as well as lower returns on shareholders' equity and invested capital. Factors that may affect the availability of funding or cause an increase in our funding costs include global macro-economic crises, reduction of our credit rating, and other potential market disruptions.

We have significant exposure to LIBOR and other floating interest rates; increases in interest rates will increase our financing costs and may have adverse effects on our financial condition and results of operations.

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 financial leases are denominated in U.S. dollars and bear interest at a floating rate. 40.5% of our outstanding consolidated debt as of December 31, 2018 bears interest at a floating rate after giving effect to interest rate hedging agreements. Volatility in LIBOR or other reference rates 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 airlines' insurance premiums or in significant decreases of insurance coverage, as occurred after the September 11, 2001 terrorist attacks. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results 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 by the corresponding authorities 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.

We depend on a limited number of suppliers for certain aircraft and engine parts.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, we are vulnerable to problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result unscheduled maintenance requirements, in customer avoidance or in actions by the aviation authorities resulting in an inability to operate our aircraft. During the year 2018, LATAM Airlines' main suppliers were aircraft manufacturers Airbus and Boeing.

In addition to Airbus and Boeing, LATAM Airlines has a number of other suppliers, primarily related to aircraft accessories, spare parts, and components, including Pratt & Whitney, MTU Maintenance, Rolls-Royce, and Pratt and Whitney Canada.

During 2018, Airbus experienced difficulties in the delivery of A320neo aircraft worldwide, which we understand is related to problems with the aircraft's Pratt & Whitney engines. We are currently expecting delivery of 9 A320neo aircraft during 2019, and any delays in delivery could adversely affect our operations. In addition, we currently have three A320neo aircraft in our fleet, and problems associated with the lack of availability of Pratt & Whitney engines could potentially prevent these aircrafts from remaining operational.

We understand that Rolls Royce is experiencing problems related to earlier than expected maintenance on the Rolls Royce Trent 1000 engines that power the Boeing 787 aircraft. The unexpected additional engine maintenance has reduced the number of Boeing 787 aircraft available in service and may also impact our A350 aircraft. During 2018, LATAM had a lower availability for its Boeing 787 fleet, part of which remains unavailable awaiting engine maintenance by Rolls Royce, which has caused significant operational challenges for the company as LATAM had to change itineraries, aircraft types for select routes, and wet-lease aircraft from third parties to meet aircraft requirements. We cannot assure that we will not have significant operational disruptions that could negatively affect our operations and financial results.

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 a significant 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 LATAM further information technology infrastructure and services, performance of business processes, including purchasing and cash management, provision of aircraft maintenance and repairs, catering, ground services, and 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 (Global Distribution Systems) 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 or systems 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, failure, or cybersecurity incident impacting systems hosted internally at our data centers or externally at third-party locations, or large-scale interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network with potential impact on our operations. 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, cyber-attacks and other security issues. These systems include our computerized airline reservation system, flight operations system, telecommunications systems, website, maintenance systems, check-in kiosks, in-flight entertainment systems and data centers.

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, deception, or cybersecurity incident. 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.

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 (18.8% in 2018) 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 could result in a material reduction in our earnings.

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

As of December 31, 2018, approximately 86% of our employees, including administrative personnel, cabin crew, 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 adversely 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 adversely impact our operating and financial performance, as well as our image.

A strike, work interruption or stoppage or any prolonged dispute with our employees who are represented by any of these unions could have an adverse impact on our operations. These risks are typically exacerbated during periods of renegotiation with the unions, which typically occurs every two to four years depending on the jurisdiction and the union. Any renegotiated collective bargaining agreement could feature significant wage increases and a consequent increase in our operating expenses. Any failure to reach an agreement during negotiations with unions may require us to enter into arbitration proceedings, use financial and management resources, and potentially agree to terms that are less favorable to us than our existing agreements. Employees who are not currently members of unions may also form new unions that may seek further wage increases or benefits.

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, especially 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. We cannot assure you that we will be able to recruit, train and retain the managers, pilots, technicians and other qualified employees that we need to continue our current operations or replace departing employees. An increase in turnover or 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 TO THE AIRLINE INDUSTRY AND THE COUNTRIES IN WHICH WE OPERATE

Our performance is heavily dependent on economic conditions in the countries in which we do business. Negative economic conditions in those countries could adversely impact our business and results of operations and cause the market price of our common shares and ADSs to decrease.

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. In the past, our business has been adversely affected by global economic recessionary conditions, weak economic growth in Chile, recession in Brazil and 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 plan to continue to expand our 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;

> changes in regulatory, legal or administrative practices;

> weak economic performance, including, but not limited to, a slowdown in the Brazilian economy and political instability 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 in markets in which we operate. Sustained weak demand may adversely impact our revenues, results of operations or financial condition.

An adverse economic environment, whether global, regional or in a particular country, could result in a reduction in passenger traffic, as well as a reduction in our cargo business, and could also impact our ability to raise fares, which in turn would materially and negatively affect our financial condition and results of operations.

We are exposed to increases in landing fees and other airport service charges that could adversely affect our margin and competitive position. Also, it cannot be assured that in the future we will have access to adequate facilities and landing rights necessary to achieve our expansion plans

We must pay fees to airport operators for the use of their facilities. Any substantial increase in airport charges, including at Guarulhos International Airport in São Paulo, Jorge Chavez International Airport in Lima or Comodoro Arturo Merino Benitez International Airport in Santiago, could have a material adverse impact on our results of operations. Passenger taxes and airport charges have increased substantially in recent years. We cannot assure you that the airports in which we operate will not increase or maintain high passenger taxes and service charges in the future. Any such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we serve (or that we plan to serve in the future) are subject to capacity constraints and impose various restrictions, including slot restrictions during certain periods of the day and limits on aircraft noise levels. We cannot be certain that we will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand our services in line with our growth strategy. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, we may have to amend our schedules, change routes or reduce aircraft utilization. Any of these alternatives could have an adverse financial impact on our operations. We cannot ensure that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports.

OUR BUSINESS

Our business is highly regulated and changes in the regulatory environment in the countries 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. 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.

Our business, financial condition, results of operations and the price of preferred shares and ADSs may be adversely affected by changes in policy or regulations at the federal, state or municipal level in the countries in which we operate, involving or affecting factors such as:

> interest rates;

> currency fluctuations;

> monetary policies;

> inflation;

> liquidity of capital and lending markets;

> tax and social security policies;

> labor regulations;

> energy and water shortages and rationing; and

> other political, social and economic developments in or affecting Brazil, Chile, Peru, and the United States, among others.

For example, the Brazilian federal government has frequently intervened in the domestic economy and made drastic changes in policy and regulations to control inflation and affect other policies and regulations. This required the federal government to increase interest rates, change taxes and social security policies, implement price controls, currency exchange and remittance controls, devaluations, capital controls and limits on imports.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. These and other developments in the Brazilian economy and governmental policies may adversely affect us and our business and results of operations and may adversely affect the trading price of our preferred shares and ADSs.

We are also subject to international bilateral air transport agreements that provide for the exchange of air traffic rights between the countries where we operate, and we must obtain permission from the applicable foreign governments to provide service to foreign destinations. There can be no assurance that such existing bilateral agreements will continue, or that we will be able to obtain more route rights under those agreements to accommodate our future expansion plans. Any 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 permits to operate to certain airports or destinations, the inability for us to obtain favorable take-off and landing authorizations at certain high-density airports or the imposition of other sanctions could also have a negative impact on our business. We cannot be certain that a change in a foreign government's administration of current laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on our business, financial condition 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, or by other flight operators, 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, or due to a perception of increased risk in the industry related to concerns about war or terrorist attacks.

High levels of competition in the airline industry, such as the presence of low-cost carriers in the domestic markets in which we operate, 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 or passenger 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 offerings in an effort to gain greater market share.

Low-cost carriers have an important impact in the industry's revenues given their low unit costs. Lower costs allow low-cost carriers to offer inexpensive fares which, in turn, allow price sensitive customers to fly or to shift from large to low cost carriers. In past years we have seen more interest in the development of the low-cost model throughout Latin America. For example, in the Chilean domestic market, Sky Airlines, our main competitor, has been migrating to a low-cost model since 2015, while in July 2017, JetSmart, a new low-cost airline, started operations. In the Peruvian domestic market, VivaAir Peru, a new low-cost airline, started operations in May 2017. In Colombia, low-cost competitor VivaColombia has been operating in the domestic market since May 2012. Low-cost competitors Flybondi and Norwegian began operations in the Argentinian domestic market during 2018. A number of low-cost carriers have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. The entry of the low-cost carriers local into markets in which we compete, including those described above, could have a material adverse effect on our operations and financial performance.

Our international strategic growth plans rely, in part, upon receipt of regulatory approvals of the countries in which we plan to expand our operations of certain Joint Business Agreements (JBAs). We may not be able to obtain those approvals, while other competitors might be approved. Accordingly, we might not be able to compete for the same routes as our competitors, which could diminish our market share and adversely impact our financial results. No assurances can be given as to any benefits, if any, that we may derive from such agreements.

Some of our competitors may receive external support, which could adversely 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. For example, Aerolineas Argentinas has historically been government subsidized.

Moreover, as a result of the competitive environment, there may be further consolidation in the Latin American and global airline industry, whether by means of acquisitions, joint ventures, partnerships or strategic alliances. We cannot predict the effects of further consolidation on the industry. Furthermore, consolidation in the airline industry and changes in international alliances will continue to affect the competitive landscape in the industry and may result in the development of airlines and alliances with increased financial resources, more extensive global networks and reduced cost structures.

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 affected 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.

In 2016, the International Civil Aviation Organization ("ICAO") adopted a resolution creating the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), providing a framework for a global market-based measure to stabilize carbon dioxide ("CO2") emissions in international civil aviation (i.e., civil aviation flights that depart in one country and arrive in a different country). CORSIA will be implemented in phases, starting with the participation of ICAO member states on a voluntary basis during a pilot phase (from 2021 through 2023), followed by a first phase (from 2024 through 2026) and a second phase (from 2027). Currently, CORSIA focuses on defining standards for monitoring, reporting and verification of emissions from air operators, as well as on defining steps to offset CO2 emissions after 2020. To the extent most of the countries in which we operate continue to be ICAO member states, in the future we may be affected by regulations adopted pursuant to the CORSIA framework.

The proliferation of national regulations and taxes on CO2 emissions in the countries that we have domestic operations, including environmental regulations that the airline industry is facing in Colombia, may also affect our costs of operations and our margins.

OUR BUSINESS

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 and Zika), 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.

After the terrorist attacks in the United States on September 11, 2001, the Company made the decision to reduce its flights to the United States. In connection with the reduction in service, the Company reduced its workforce resulting in additional expenses due to severance payments to terminated employees during 2001. Therefore, any future terrorist attacks or threat of attacks, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations or otherwise and any related economic impact could result in decreased passenger traffic and materially and negatively affect our business, financial condition and results of operations.

After the 2001 terrorist attacks, airlines have experienced increased costs resulting from additional security measures that may be made even more rigorous in the future. In addition to measures imposed by the U.S. Department of Homeland Security and the TSA, IATA and certain foreign governments have also begun to institute additional security measures at foreign airports we serve.

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 profitability. 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.

We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our business exposes us to litigation relating to labor, insurance and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. Currently, as in the past, we are subject to proceedings or investigations of actual or potential litigation. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our business.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Chile, the United States and in the various countries we operate. Violations of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of all jurisdictions where we operate. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

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.

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

In the past, Peru has experienced periods of severe economic recession, currency devaluation, high inflation, and political instability, which have led to adverse economic consequences. We cannot assure you that Peru will not experience similar adverse developments in the future even though for some years now, several democratic procedures have been completed without any violence. We cannot assure you that the current or any future administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in the Peruvian economy or the Peruvian government's economic policies may have a negative effect on our business, financial condition and results of operations.

Instability and political unrest in Latin America may adversely affect our business.

We operate primarily within Latin America and are thus subject to a full range of risks associated with our operations in this region. These risks may include unstable political or economic conditions, lack of well-established or reliable legal systems, exchange controls and other limits on our ability to repatriate earnings and changeable legal and regulatory requirements. In Venezuela, for example, foreign companies may only repatriate cash through specific governmental programs, which may effectively preclude us from repatriating cash for periods of time.

Although conditions throughout Latin America vary from country to country, our customers' reactions to developments in Latin America generally may result in a reduction in passenger traffic, which could materially and negatively affect our financial condition and results of operations.

RISKS RELATED TO OUR COMMON SHARES AND ADSS

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

One of our major shareholder groups, the Cueto Group (the "LATAM Controlling Shareholders"), which as of December 31, 2018, beneficially owned 27.91% of our common shares, is entitled to elect three of the nine members of our board of directors and is in a position to direct our management. In addition, the LATAM Controlling Shareholders have entered into a shareholders agreement with the Amaro Group, which as of December 31, 2018, held 2.58% of LATAM shares through TEP Chile, in addition to the indirect stake it has through the 21.88% interest it holds in Costa Verde Aeronáutica S.A., the main legal vehicle through which the Cueto Group holds LATAM shares, pursuant to which these two major shareholder groups have agreed to vote together to elect individuals to our board of directors in accordance with their direct and indirect shareholder interest in LATAM. Pursuant to a shareholders' agreement, the LATAM Controlling Shareholders and the Amaro Group have also agreed to use their good faith efforts to reach an agreement and act jointly on all actions to be taken by our board of directors or shareholders meeting, and if unable to reach to such agreement, to follow the proposals made by our board of directors. Decisions by the Company that require supermajority votes under Chilean law are also subject to voting arrangements by the LATAM Controlling Shareholders and the Amaro Group. In addition, another major shareholder, Qatar Airways Investments (UK) Ltd., which as of December 31, 2018, held 10.00% of our common shares, is entitled to appoint one individual to our board of directors. The interests of our major shareholders may differ from those of our other 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 depositary for the ADSs, with timely instructions on the voting of the common shares underlying their ADRs, the depositary 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. The members of the new board of Directors elected by the shareholders in 2018 designated Ignacio Cueto, 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.

Our common shares are listed on the various Chilean stock exchanges. 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 depositary 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 ADRs 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 depositary could be adversely affected. Cash distributions made in respect of the ADSs are received by the depositary (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 depositary to the holders of the ADRs evidencing those ADSs. In addition, the depositary 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.

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.

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 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 securities market 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.

POLICIES AND SYSTEMS

LATAM'S SAFETY, QUALITY AND ENVIRONMENT POLICY

LATAM Airlines Group is committed in achieving the highest standards of Safety, Quality and Environment in all its operational and administrative activities, facilities and locations where it operates, providing the necessary resources for this purpose.

For that, we are committed to:

> Declare Safety as a non-negotiable value of our Company, by encouraging a culture of self-care between our employees, developing prevention-oriented processes, identifying hazards, assessing and mitigating the risks associated with the various operational and administrative activities, inherent to the Company's operations and ensuring that the operational staff is psycho-physically and medically suitable for the performance of their functions.

> Comply with all applicable laws and regulations while also observing the internal procedures established by the company and the voluntary commitments to which it is a signatory.

> Promote the development of a Safety Management System for all the employees involved in operational activities.

> Appraise the action and unsafe condition reports by ensuring that no penalties will be applied to those who make them, considering that the error is inherent to the human condition, but without accepting intentional and deliberate deviations to the Company's operational standards or processes, in this way we are ensuring the correct compliance with the LATAM Airlines Group's Code of Conduct.

> Develop a Safety, Quality and Environmental Management System to regularly review the performance of goals, objectives and resources provided, by implementing the best environmental practices, prevent any type of pollution and efficiently manage our carbon footprint.

At LATAM Airlines Group we apply the principles of ethics, excellence and continuous improvement in our Operator and/or Repair Station management processes, in order to move towards our goal of positioning LATAM Airlines Group as the best airline in Latin America and one of the best in the world, by reinforcing our commitment to provide a good value for our customers, shareholders, suppliers, authorities, employees and places where we develop our operational activities.

OPERATING ECOEFFICIENCY

GREENHOUSE GASES (t CO_2e) [305-1, 305-2, 305-3 and 305-4]

	2015	2016	2017	2018	Δ 2018/2017
Direct emissions[1]	11,610,378	11,343,650	11,051,171	11,513,608	4.18%
Indirect emissions[2]	20,660	15,767	24,498	16,759	-31.59%
Other indirect emissions[3]	4,214	7,718	11,382	4,750	-58.27%
Total	**11,635,252**	**11,367,134**	**11,087,051**	**11,535,117**	**4.04%**
Emissions intensity in total operations (kg CO_2e/100 RTK)	83.82	83.02	79.89	80.34	0.57%
Emissions intensity in air operations (kg CO_2e/100 RTK)	83.31	82.56	79.45	80.06	0.77%
Net emissions intensity in total operations (kg CO_2e/100 RTK)[4]	83.77	82.96	77.50	77.86	0.47%

1 Direct emissions (Scope 1): fuel consumption in air operations, fixed sources, and LATAM fleet vehicles, as well as fugitive refrigerant gas emissions.
2 Indirect emissions (Scope 2): electric energy purchases. The emissions calculation considers the different energy grids of the countries where LATAM operates.
3 Other indirect emissions (Scope 3): ground transportation related to operations (employees, suppliers, waste) and air travel (through other airlines) of employees for work reasons.
4 Considers offset emissions.
Nota: LATAM's greenhouse gas emissions inventory has external verification, carried out by AENOR (Asociación Española de Normalización y Certificación).

SOURCE	EMISSION FACTOR
Jet Fuel	**3.15 kg CO_2/kg fuel** (Reglamento Europeo N° 601/2012)
Gasoline	**69,300 kg CO_2/TJ** (IPCC 2006)
Diesel	**74,100 kg CO_2/TJ** (IPCC 2006)
Natural gas	**56,100 kg CO_2/TJ** (IPCC 2006)
Liquefied petroleum gas (LPG)	**63,100 kg CO_2/TJ** (IPCC 2006)
ELECTRICITY	
Argentina	**535.00 g CO_2/kWh** [http://www.energia.gob.ar/contenidos/verpagina.php?idpagina=2311][1]
Brazil	**74.2 g CO_2/kWh** [http://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao_corporativos.html][1]
Chile	**450.00 g CO_2/kWh** [ACCIONA]
Colombia	**210 g CO_2/kWh** [http://www1.upme.gov.co/ServicioCiudadano/Documents/Documento%20de%20calculo%20del%20FE%20del%20SIN%202016%20FORMULADO.docx][1]
Ecuador	**694.50 g CO_2/kWh** [http://www.revistapolitecnica.epn.edu.ec/images/revista/volumen37/tomo1/Factor_Anual_de_Emision.pdf][1]
United States	**555.96 g CO_2/kWh** [http://www.iea.org/co2highlights/][2]
Peru	**547.00 g CO_2/kWh** [http://www.fonamperu.org/general/mdl/bienvenida.php][2]

1 Information viewed on February 19, 2019.
2 Information viewed on March 7, 2019.
IPCC: Intergovernmental Panel on Climate Change.

OPERATING ECOEFFICIENCY

SIGNIFICANT ATMOSPHERIC EMISSIONS [305-6 and 305-7]

	2015	2016	2017	2018	Δ(%) 2018/2017
Nitrogen oxides (NOx) – (t)	39,722	38,828	37,876	39,485	4.25
Intensity in passenger operations (g/RPK)	0.26	0.27	0.25	0.26	1.17
Intensity in cargo operations (g/RTK)	2.13	1.85	1.82	1.72	-5.72
Sulfur oxides (SOx) – (t)	1,759	1,720	1,678	1,749	4.25
Intensity in passenger operations (g/RPK)	0.012	0.012	0.011	0.011	1.17
Intensity in cargo operations (g/RTK)	0.09	0.08	0.08	0.08	-5.72
Gases that affect the ozone layer[1] (t CFC11 equivalent)	4.96	6.44	23.84	46.7	96.09[2]

1 Includes (2018): Halon-1301; HCFC-141b; HCFC-22; HFC-125; HFC-134a; HFC143a; HFC-32; R410A; and R507A.
2 The increase is explained by the recharge of fire extinguisher equipment for aircrafts in Brazil.
Note: in the emissions intensity indicators, the year-over-year variation is not perceivable in this chart because the figures show only two decimals.

SCOPE OF THE INFORMATION (%)

	2015	2016	2017	2018
Jet fuel — air operation	100	100	100	100
Fuel — stationary sources				
Diesel	95	96	96	96
Natural gas	100	100	100	100
Gasoline	95	100	100	100
Liquefied petroleum gas (LPG)	100	94	100	100
Fuel — mobile sources				
Diesel	86	79	96	96
Gasoline	82	93	96	96
Liquefied petroleum gas (LPG)	100	100	100	100
Refrigerating gases (various)	100	100	100	100
Electricity	96	93	100	100
Transportation using other airlines (jet fuel)	**100**	**96**	**100**	**100**

Note: the calculation considers the scope of coverage of the information from each country of operation and the percentage share of total transportation measured in RPK.

OPERATING ECOEFFICIENCY

EFFICIENT USE OF FUELS — MAIN INITIATIVES

> **APU:** rationalize the use of the auxiliary engine to decrease energy consumption.

> **APU:** rationalize the use of the auxiliary engine to decrease energy consumption.

> **Standard Operating Procedures (SOP):** Use standard approach, landing, and taxiing procedures established in the aircraft manufacturers' manuals.

> **Weight:** Elimination of unnecessary weight during the flight.

> ***Cost Index*:** revision of the index that sets ideal ranges for the ratio between speed and fuel consumption. Lower speeds will imply lower fuel consumption.

> **Maintenance actions:** Corrective tasks on airplanes with diversion in fuel consumption.

> **Fuel policies:** Monitoring of the amount of extra fuel loaded on the various flights.

> **Engine wash:** periodic cleaning to reduce particles in blades, improving aerodynamics (less drive resistance).

> **RNP System (Required Navigation Performance):** use of navigation and approach system based on GPS satellite positioning technology and aircraft ILS autonomous references, allowing for more efficient and safer approaches.

> **Route management:** Optimization of the existing routes and creation of new—shorter and more direct—routes requiring less fuel consumption.

> **Optical Spectrum Analyzers (OSA):** Software that analyzes the optimal route scenario and calculates the most efficient trajectory, considering a large number of variables.

> **PACK (Pressurization and Air Conditioning Kit) off:** optimization in the use of airplane air conditioning and pressurization units.

DESTINATION OF WASTE (t) 2018 [306-2]	
HAZARDOUS WASTE	31,265.16
Landfill	53.28
Recycling	131.05
Incineration	38.31
Co-processing	97.00
Controlled deposit	293.67
Effluents treatment	30,604.02
Others	47.83
NON-HAZARDOUS WASTE	2,085.61
Landfill	1,636.72
Recycling	354.73
Incineration	–
Co-processing	15.00
Controlled deposit	–
Effluents treatment	–
Others	79.16
TOTAL	**33,350.77**

STRAIGHT TO THE POINT: CONNECTED TO THE BUSINESS

TRAINING (h) PER PROFESSIONAL [404-1]

	2016	2017	2018
BY PROFESSIONAL CATEGORY			
Management	14.6	15.6	0.7
Maintenance	47.0	29.2	25.2
Operations	39.5	35.8	178.4
Command crew	42.7	75.8	11.1
Cabin crew	45.8	32.2	50.7
Sales	26.3	47.5	5.0
BY GENDER			
Men	37.7	34.8	30.3
Women	33.9	47.2	42.5
TOTAL	**36.2**	**39.8**	**35.0**

MULTICULTURAL TEAM

LATAM GROUP AND AFFILIATES – TOTAL EMPLOYEES [102-8]

	Total	%
BY GENDER		
Men	24,794	60.2
Women	16,376	39.8
BY AGE GROUP		
Up to 30 years old	10,991	26.7
From 31 to 40 years old	17,460	42.4
From 41 to 50 years old	8,924	21.7
From 51 to 60 years old	3,102	7.5
Over 61 years old	693	1.7
BY SENIORITY		
Up to 3 years	8,626	21.0%
From 3 years and 1 day to 6 years	7,456	18.1%
From 6 years and 1 day to 9 years	8,510	20.7%
From 9 years and 1 day to 12 years	7,203	17.5%
From 12 years and 1 day	9,375	22.8%
TOTAL	**41,170**	**100%**

LATAM GROUP AND AFFILIATES — MANAGEMENT LEVEL EMPLOYEES (2018)

	Total	%
BY GENDER		
Men	664	70.5
Women	275	29.5
BY AGE GROUP		
Up to 30 years old	42	4.47%
From 31 to 40 years old	485	51.65%
From 41 to 50 years old	295	31.42%
From 51 to 60 years old	100	10.65%
Over 61 years old	17	1.81%
BY SENIORITY		
Up to 3 years	66	7.0%
From 4 to 6 years	165	17.6%
From 7 to 9 years	237	25.2%
From 10 to 12 years	141	15.0%
Over 13 years	330	35.1%
TOTAL	**939**	**100%**

Management level: includes assistant manager, manager, senior manager, director, and vice-president.

MULTICULTURAL TEAM

BOARD (2018)

	Total	%
BY GENDER		
Men	8	88.9%
Women	1	11.1%
BY AGE GROUP		
Up to 30 years old	0	0.0%
From 31 to 40 years old	2	22.2%
From 41 to 50 years old	0	0.0%
From 51 to 60 years old	6	66.7%
Over 61 years old	1	11.1%
BY SENIORITY		
Up to 3 years	5	55.6%
From 4 to 6 years	2	22.2%
From 7 to 9 years	1	11.1%
From 10 to 12 years	0	0.0%
Over 13 years	1	11.1%
TOTAL	**9**	**100.00%**

LATAM GROUP AND AFFILIATES – DISTRIBUTION BY GENDER [102-8]

	Women	Men
TOTAL EMPLOYEES		
Argentina	1,075 (44.5%)	1,339 (55.5%)
Brazil	6,964 (33.3%)	13,940 (66.7%)
Chile	4,742 (44.1%)	6,022 (55.9%)
Colombia	690 (48.6%)	729 (51.4%)
Ecuador	410 (53.3%)	359 (46.7%)
United States	141 (46.1%)	165 (53.9%)
Peru	1,950 (51.2%)	1,859 (48.8%)
Others	404 (51.5%)	381 (48.5%)
Overall distribution	16,376 (39.8%)	24,794 (60.2%)
MANAGEMENT LEVEL EMPLOYEES		
Argentina	8 (26.7%)	22 (73.3%)
Brazil	92 (37.4%)	154 (62.6%)
Chile	132 (26.3%)	370 (73.7%)
Colombia	5 (18.5%)	22 (81.5%)
Ecuador	5 (38.5%)	8 (61.5%)
United States	8 (25.8%)	23 (74.2%)
Peru	9 (26.5%)	25 (73.5%)
Others	16 (28.6%)	40 (71.4%)
Management level distribution	275 (29.3%)	664 (70.7%)
BOARD MEMBERS		
Chile	1 (50.0%)	1 (50.0%)
Brazil	0 (0.0%)	6 (100.0%)
UK	0 (0.0%)	1 (100.0%)
Board distribution	1 (11.1%)	8 (88.9%)

LEADERSHIP AND COMMITMENT

LATAM GROUP AND AFFILIATES – TURNOVER RATE (%) [401-1]

	2016	2017	2018
BY GENDER			
Men	13.5	17.8	9.9
Women	17.0	14.1	20.8
BY AGE GROUP			
Up to 30 years old	18.2	18.1	30.6
From 31 to 40 years old	13.5	15.9	11.9
From 41 to 50 years old	11.7	11.4	3.7
From 51 to 60 years old	12.7	11.9	1.7
Over 61 years old	28.5	21.1	1.9
BY COUNTRY			
Argentina	7.6	11.7	8.3
Brazil	11.9	14.5	15.9
Chile	23.6	14.8	13.4
Colombia	16.2	19.6	10.9
Ecuador	14.3	18.2	13.1
United States	NA	NA	16.0
Peru	12.9	19.4	8.0
Others	NA	NA	34.4
TOTAL	**14.8**	**15.5**	**14.2**

NA: information not available.

LATAM GROUP AND AFFILIATES – NEW HIRES 2018 [401-1]

	Total	Tasa
Argentina	127	5.3%
Brazil	2,024	9.7%
Chile	1,863	17.3%
Colombia	185	13.0%
Ecuador	86	11.2%
United States	27	8.8%
Peru	548	14.4%
Others	147	18.7%
TOTAL	**5,007**	**12.16%**

STRAIGHT TO THE POINT: EMPLOYEE SAFETY

LATAM GROUP AND AFFILIATES – OCCUPATIONAL SAFETY [403-2]

	Woman		Man		TOTAL	
Work accidents	**Total**	**Injury rate**	**Total**	**Injury rate**	**Total**	**Injury rate**
Argentina	12.5	1.2	19.0	1.4	31.5	1.3
Brazil	45.0	0.6	82.0	0.6	127.0	0.6
Chile	56.5	1.2	80.0	1.0	116.5	1.1
Colombia	10.5	1.5	4.0	0.5	14.5	1.0
Ecuador	3.0	0.7	0.0	0.0	3.0	04
Peru	66.0	3.4	25.5	1.4	91.5	2.4
Others (including the United States)	2.0	0.3	4.0	0.4	6.0	0.3
TOTAL	**195.5**	**1.2**	**194.5**	**0.8**	**390.0**	**0.9**
Lost days	**Total**	**Accident rate**	**Total**	**Accident rate**	**Total**	**Accident rate**
Argentina	416.0	38.3	203.0	15.0	619.0	25.3
Brazil	367.0	5.2	830.0	5.9	1,197.0	5.7
Chile	1,236.0	26.7	765.0	13.0	2,001.0	19.1
Colombia	158.0	22.3	43.0	5.7	201.0	13.7
Ecuador	11.0	2.6	0.0	0.0	11.0	1.4
Peru	1,450.0	74.0	322.0	17.3	1,772.0	46.4
Others (including the United States)	98.0	14.9	265.0	24.3	363.0	20.8
TOTAL	**3,736.0**	**23.0**	**2,428.0**	**9.6**	**6,164.0**	**14.7**
Fatalities	**Total**		**Total**		**Total**	
Argentina	0		0		0	
Brazil	0		0		0	
Chile	0		0		0	
Colombia	0		0		0	
Ecuador	0		0		0	
Peru	0		0		0	
Others (including the United States)	0		0		0	
TOTAL	0		0		0	

Work accidents: The count considers as 1.5 accidents each accident related to critical risks and each high-impact event (with over 100 lost days).
Injury rate: total accidents with lost time/average no. of employees x 100.
Accident rate: Days lost/average number of employees X 100. Includes days lost due to work-related injuries, diseases, and fatalities. | The days lost are computed in accordance with the local legislation in each country. Argentina, Colombia, and the United States start to count from the day after the accident; the other countries count from the day when the accident occurred. The indicators do not cover commuting accidents.
Fatalities: There were no fatalities related to work among outsourced workers.

GRI CONTENT INDEX [102-44 and 103-1]

MATERIAL TOPIC	STAKEHOLDER GROUP INDICATING RELEVANCE OF TOPIC	BOUNDARIES		CHAPTER OF THE INTEGRATED REPORT
		WHERE DOES THE IMPACT OCCUR?	ORGANIZATION'S INVOLVEMENT	
Health and safety in the air and on the ground	Government, customers, employees and suppliers	The impact is seen inside the organization, mainly affecting the aircraft, airports, and other operational facilities.	LATAM determines different levels of management according to the type of event. There is a dedicated team that prepares the organization to manage emergencies on an ongoing basis.	Safety Employees
Ethics and anti-corruption	Press, customers, employees, suppliers and investors	The impact is seen inside the organization, affecting all employees and third parties, as well as the overall society.	LATAM has implemented a wide-ranging compliance program to manage impacts and minimize risks.	Corporate governance
On-time performance	Customers, employees and suppliers	The impact is on LATAM's main activity; that is, the flights it operates, affecting passenger perceptions and the business as a whole.	LATAM can manage a significant portion of the impacts, such as delays due to maintenance, managing air crews, and others. Some impacts are external to the organization, such as weather conditions, air traffic limitations, and congestion at airports.	Customers
Economic and financial sustainability	Press, customers, employees, suppliers and investors	The main impact is seen inside LATAM, and it can affect the brand, the loyalty program, the implementation of the business strategy, commercial relations, and others.	LATAM can adjust or restructure its strategy, even if most of the factors are beyond its control. The Group has a policy to manage and mitigate financial risks	Our business
Employee development	Customers, employees and suppliers	The impact is throughout LATAM's operations. Human resources management is directly linked with corporate performance.	LATAM manages employee talent and fosters commitment to corporate strategy.	Employees

GRI CONTENT INDEX [102-44 and 103-1]

MATERIAL TOPIC	STAKEHOLDER GROUP INDICATING RELEVANCE OF TOPIC	BOUNDARIES: WHERE DOES THE IMPACT OCCUR?	BOUNDARIES: ORGANIZATION'S INVOLVEMENT	CHAPTER OF THE INTEGRATED REPORT
Mitigating climate change	Customers, employees and suppliers	The main impact is on the environment and comes mainly from the use of fuel, which contributes to overall greenhouse gas emissions and, to a lesser extent, to the worsening of local air quality.	The impact is the result of the Group's operations, which is the reason why LATAM has a strategy for monitoring and managing climate change. Moreover, the Group is attentive to opportunities to incorporate new technologies and best practices that influence this issue.	Environment
Customer focus	Press, customers, employees and suppliers	The impact occurs inside LATAM and with its customers, affecting market share and customer spending on the Group.	LATAM plays a key role in managing this impact, mainly with regard to its capacity to anticipate existing risks.	Customers
Destination network and connectivity	Press, customers, employees and suppliers	The development and growth of the destination network benefits the cities served, generating economic development through the reduced cost of doing business and transporting cargo, as well as increasing tourism.	LATAM plays a key role in managing and monitoring the factors that may influence this issue.	Who we are
Relations with authorities	Civil society organizations, industry associations, customers, employees, suppliers and investors	The impact from a change in the regulatory environment is seen inside the organization, affecting all the operations, and outside the organization, affecting the sector as a whole.	LATAM's role is to identify and monitor how decisions by public authorities may affect the Group's development and the airline industry, as well as connectivity in a country or region, and consumers.	Our business
Sustainable tourism	Customers and employees	The impact is on the destinations served by LATAM.	The capacity to manage this question varies in accordance with LATAM's share in the total passenger traffic to a determined location. The Group strives to play an active role in promoting a balance between tourism and the preservation of the local culture and environment.	Society

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LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FREE TRANSLATION

DECEMBER 31, 2018

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pwc

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

Santiago, March 12, 2019

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

We have audited the accompanying consolidated financial statements of Latam Airlines Group S.A. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the related statements of income by function, comprehensive income, changes in equity and cash flows for the years then ended, and the corresponding notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

PwC Chile, Av. Andrés Bello 2711 - piso 5, Las Condes – Santiago, Chile
RUT: 81.513.400-1 | Teléfono: (56 2) 2940 0000 | www.pwc.cl

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Santiago, March 12, 2019
Latam Airlines Group S.A.
2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Latam Airlines Group S.A. and subsidiaries as at December 31, 2018 and 2017, and the results of operations and cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

Renzo Corona Spedaliere
RUT: 6.373.028-9

Contents of the notes to the consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries.

Notes Page

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Current assets			
Cash and cash equivalents	6 - 7	1,081,642	1,142,004
Other financial assets	7 - 11	383,984	559,919
Other non-financial assets	12	320,977	221,188
Trade and other accounts receivable	7 - 8	1,162,582	1,214,050
Accounts receivable from related entities	7 - 9	2,931	2,582
Inventories	10	279,344	236,666
Current tax assets	18	69,134	77,987
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		3,300,594	3,454,396
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	13	5,768	291,103
Total current assets		3,306,362	3,745,499
Non-current assets			
Other financial assets	7 - 11	58,700	88,090
Other non-financial assets	12	233,741	220,807
Accounts receivable	7 - 8	5,381	6,891
Intangible assets other than goodwill	15	1,441,072	1,617,247
Goodwill	16	2,294,072	2,672,550
Property, plant and equipment	17	9,953,365	10,065,335
Current tax assets	18	757	17,532
Deferred tax assets	18	273,327	364,021
Total non-current assets		14,260,415	15,052,473
Total assets		17,566,777	18,797,972

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

LIABILITIES	Note	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Current liabilities			
Other financial liabilities	7 - 19	1,430,789	1,300,949
Trade and other accounts payables	7 - 20	1,674,303	1,695,202
Accounts payable to related entities	7 - 9	382	760
Other provisions	21	4,794	2,783
Current tax liabilities	18	3,738	3,511
Other non-financial liabilities	22	2,454,746	2,823,963
Total current liabilities other than non- (or disposal groups) classified as held for sale		5,568,752	5,827,168
Liabilities included in disposal groups classified as held for sale	13	-	15,546
Total current liabilities		5,568,752	5,842,714
Non-current liabilities			
Other financial liabilities	7 - 19	5,864,910	6,605,508
Accounts payable	7 - 24	483,656	498,832
Other provisions	21	303,495	374,593
Deferred tax liabilities	18	872,121	949,697
Employee benefits	23	82,365	101,087
Other non-financial liabilities	22	644,702	158,305
Total non-current liabilities		8,251,249	8,688,022
Total liabilities		13,820,001	14,530,736
EQUITY			
Share capital	25	3,146,265	3,146,265
Retained earnings	25	597,675	475,117
Treasury Shares	25	(178)	(178)
Other reserves		(76,926)	554,885
Parent's ownership interest		3,666,836	4,176,089
Non-controlling interest	14	79,940	91,147
Total equity		3,746,776	4,267,236
Total liabilities and equity		17,566,777	18,797,972

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	Note	For the year ended December 31, 2018 ThUS$	2017 ThUS$
Revenue	26	9,895,456	9,613,907
Cost of sales		(7,962,843)	(7,441,849)
Gross margin		1,932,613	2,172,058
Other income	28	472,758	549,889
Distribution costs		(619,200)	(699,600)
Administrative expenses		(721,270)	(938,931)
Other expenses		(359,781)	(368,883)
Other gains/(losses)		53,499	(7,754)
Income from operation activities		758,619	706,779
Financial income		53,253	78,695
Financial costs	27	(356,269)	(393,286)
Foreign exchange gains/(losses)	29	(157,709)	(18,718)
Result of indexation units		(865)	748
Income (loss) before taxes		297,029	374,218
Income tax expense / benefit	18	(83,782)	(173,504)
NET INCOME (LOSS) FOR THE PERIOD		213,247	200,714
Income (loss) attributable to owners of the parent		181,935	155,304
Income (loss) attributable to non-controlling interest	14	31,312	45,410
Net income (loss) for the year		213,247	200,714
EARNINGS PER SHARE			
Basic earnings (losses) per share (US$)	30	0.30002	0.25610
Diluted earnings (losses) per share (US$)	30	0.30002	0.25610

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31, 2018 ThUS$	2017 ThUS$
NET INCOME (LOSS)		213,247	200,714
Components of other comprehensive income that will not be reclassified to income before taxes			
Other comprehensive income, before taxes, gains (losses) by new measurements on defined benefit plans	25	(5,820)	2,763
Total other comprehensive income that will not be reclassified to income before taxes		(5,820)	2,763
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	29	(610,201)	(47,494)
Other comprehensive income, before taxes, currency translation differences		(610,201)	(47,494)
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	19	(27,797)	18,344
Other comprehensive income (losses), before taxes, cash flow hedges		(27,797)	18,344
Total other comprehensive income that will be reclassified to income before taxes		(637,998)	(29,150)
Other components of other comprehensive income (loss), before taxes		(643,818)	(26,387)
Income tax relating to other comprehensive income that will not be reclassified to income			
Income tax relating to new measurements on defined benefit plans	18	1,567	(785)
Accumulate income tax relating to other comprehensive income that will not be reclassified to income		1,567	(785)
Income tax relating to other comprehensive income that will be reclassified to income			
Income tax related to cash flow hedges in other comprehensive income		(269)	(1,770)
Income taxes related to components of other comprehensive incomethat will be reclassified to income		(269)	(1,770)
Total Other comprehensive income		(642,520)	(28,942)
Total comprehensive income (loss)		(429,273)	171,772
Comprehensive income (loss) attributable to owners of the parent		(447,405)	128,877
Comprehensive income (loss) attributable to non-controlling interests		18,132	42,895
TOTAL COMPREHENSIVE INCOME (LOSS)		(429,273)	171,772

The accompanying Notes 1 to 37 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										Non-controlling interest	Total equity
				Change in other reserves									
	Note	Share capital ThUS$	Treasury shares ThUS$	Currency translation reserve ThUS$	Cash flow hedging reserve ThUS$	Actuarial gains or losses on defined benefit plans reserve ThUS$	Shares based payments reserve ThUS$	Other sundry reserve ThUS$	Total other reserve ThUS$	Retained earnings ThUS$	Parent's ownership interest ThUS$	Non-controlling interest ThUS$	Total equity ThUS$
Equity as of January 1, 2018		3,146,265	(178)	(2,131,590)	18,140	(10,926)	39,481	2,639,780	554,885	475,117	4,176,089	91,147	4,267,236
Increase (decrease) by application of new accounting standards	25	-	-	-	-	-	-	-	-	(4,797)	(4,797)	-	(4,797)
Initial balance modified		3,146,265	(178)	(2,131,590)	18,140	(10,926)	39,481	2,639,780	554,885	470,320	4,171,292	91,147	4,262,439
Total increase (decrease) in equity													
Comprehensive income													
Gain (losses)	25	-	-	-	-	-	-	-	-	181,935	181,935	31,312	213,247
Other comprehensive income		-	-	(597,615)	(27,473)	(4,252)	-		(629,340)	-	(629,340)	(13,180)	(642,520)
Total comprehensive income		-	-	(597,615)	(27,473)	(4,252)	-	-	(629,340)	181,935	(447,405)	18,132	(429,273)
Transactions with shareholders													
Dividens	25	-	-	-	-	-	-	-	-	(54,580)	(54,580)	-	(54,580)
Increase (decrease) through transfers and other changes, equity	25-34	-	-	-	-	-	(1,607)	(864)	(2,471)	-	(2,471)	(29,339)	(31,810)
Total transactions with shareholders		-	-	-	-	-	(1,607)	(864)	(2,471)	(54,580)	(57,051)	(29,339)	(86,390)
Closing balance as of December 31, 2018		3,146,265	(178)	(2,729,205)	(9,333)	(15,178)	37,874	2,638,916	(76,926)	597,675	3,666,836	79,940	3,746,776

The accompanying Notes 1 to 37 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									
	Note	Share capital ThUS$	Treasury shares ThUS$	Currency translation reserve ThUS$	Cash flow hedging reserve ThUS$	Actuarial gains or losses on defined benefit plans reserve ThUS$	Shares based payments reserve ThUS$	Other sundry reserve ThUS$	Total other reserve ThUS$	Retained earnings ThUS$	Parent's ownership interest ThUS$	Non-controlling interest ThUS$	Total equity ThUS$
Equity as of January 1, 2017		3,149,564	(178)	(2,086,555)	1,506	(12,900)	38,538	2,640,281	580,870	366,404	4,096,660	88,644	4,185,304
Total increase (decrease) in equity													
Comprehensive income													
Gain (losses)	25	-	-	-	-	-	-	-	-	155,304	155,304	45,410	200,714
Other comprehensive income		-	-	(45,035)	16,634	1,974	-		(26,427)	-	(26,427)	(2,515)	(28,942)
Total comprehensive income		-	-	(45,035)	16,634	1,974	-	-	(26,427)	155,304	128,877	42,895	171,772
Transactions with shareholders													
Dividens	25	-	-	-	-	-	-	-	-	(46,591)	(46,591)	-	(46,591)
Increase (decrease) through transfers and other changes, equity	25-34	(3,299)	-	-	-	-	943	(501)	442	-	(2,857)	(40,392)	(43,249)
Total transactions with shareholders		(3,299)	-	-	-	-	943	(501)	442	(46,591)	(49,448)	(40,392)	(89,840)
Closing balance as of December 31, 2017		3,146,265	(178)	(2,131,590)	18,140	(10,926)	39,481	2,639,780	554,885	475,117	4,176,089	91,147	4,267,236

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the year ended December 31, 2018	2017
		ThUS$	ThUS$
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		10,787,805	10,595,718
Other cash receipts from operating activities		95,099	73,668
Payments for operating activities			
Payments to suppliers for goods and services		(7,331,390)	(6,722,713)
Payments to and on behalf of employees		(1,789,022)	(1,955,310)
Other payments for operating activities		(255,988)	(223,706)
Income taxes refunded (paid)		(29,186)	(91,986)
Other cash inflows (outflows)	35	39,612	(8,931)
Net cash flows from operating activities		1,516,930	1,666,740
Cash flows used in investing activities			
Cash flows from losses of control of subsidiaries or other businesses		69,724	6,503
Cash flows used in the purchase ofnon-controlling interest		(2)	-
Other cash receipts from sales of equity or debt instruments of other entities		3,645,608	3,248,693
Other payments to acquire equity or debt instruments of other entities		(3,548,239)	(3,106,411)
Amounts raised from sale of property, plant and equipment		223,753	51,316
Purchases of property, plant and equipment		(660,707)	(403,666)
Purchases of intangible assets		(96,206)	(87,318)
Interest received		10,175	12,684
Other cash inflows (outflows)	35	(2,476)	(9,223)
Net cash flow from (used in) investing activities		(358,370)	(287,422)
Cash flows from (used in) financing activities	35		
Amounts raised from long-term loans		779,062	1,305,384
Amounts raised from short-term loans		293,000	132,280
Loans repayments		(1,045,662)	(1,829,191)
Payments of finance lease liabilities		(692,687)	(344,901)
Dividends paid		(72,620)	(66,642)
Interest paid		(357,355)	(389,724)
Other cash inflows (outflows)		44,053	13,706
Net cash flows from (used in) financing activities		(1,052,209)	(1,179,088)
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		106,351	200,230
Effects of variation in the exchange rate on cash and cash equivalents		(166,713)	(7,553)
Net increase (decrease) in cash and cash equivalents		(60,362)	192,677
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	6	1,142,004	949,327
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6	1,081,642	1,142,004

The accompanying Notes 1 to 37 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, 2018

NOTE 1 - GENERAL INFORMATION

LATAM Airlines Group S.A. (the "Company") is a public limited company registered with the Commission for the Financial Market under No. 306, whose shares are listed in Chile on the Electronic Stock Exchange of Chile - Stock Exchange and the Santiago Stock Exchange - Stock Exchange, besides being listed in the United States of America on the New York Stock Exchange ("NYSE"), in the form of American Depositary Receipts ("ADRs").

Its main business is the air transport of passengers and cargo, both in the domestic markets of Chile, Peru, Argentina, Colombia, Ecuador and Brazil, as well as in a series of regional and international routes in America, Europe and Oceania. These businesses are developed directly or by its subsidiaries in Ecuador, Peru, Brazil, Colombia, Argentina and Paraguay different countries. In addition, the Company has subsidiaries that operate in the cargo business in Chile, Brazil and Colombia.

The Company is located in Chile, in the city of Santiago, on Avenida Americo Vespucio Sur No. 901, Renca commune.

As of December 31, 2018 the statutory capital of the Company is represented by 606,874,525 shares, all ordinary, without par value, which is divided into: (a) 606,407,693 subscribed and paid shares; and (b) 466,832 shares pending subscription and payment, which correspond to the balance of shares pending placement of the last capital increase approved at the extraordinary shareholders meeting of August 18, 2016.

The controller of the Company is the Cueto Group, which through the companies Costa Verde Aeronáutica S.A., Costa Verde Aeronáutica SpA, Costa Verde Aeronáutica Tres SpA, Inversiones Nueva Costa Verde Aeronáutica Ltda., 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. and Inversiones La Espasa Dos y Cía. Ltda., Owns 27.91% of the shares issued by the Company, so it is the controller of the Company in accordance with the provisions of letter b) of Article 97 and Article 99 of the Market Law of Values, taken care of that it influences decisively in the administration of this one.

As of December 31, 2018, the Company had a total of 1,451 shareholders in its registry. At that date, approximately 2.45% of the Company's property was in the form of ADRs.

For the period ended December 31, 2018, the company had an average of 41,097 employees, ending this period with a total number of 41,170 people, distributed in 6,380 Administration employees, 4,928 in Maintenance, 13,391 in Operations, 9,196 Cabin Crew , 4,169 Cockpit Crew and 3,106 in Sales.

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

a) Participation rate

				As December 31, 2018			As December 31, 2017		
Tax No.	Company	Country of origin	Functional Currency	Direct	Indirect	Total	Direct	Indirect	Total
				%	%	%	%	%	%
96.518.860-6	Latam Travel Chile S.A. and Subsidary	Chile	US$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
96.969.680-0	Lan Pax Group S.A. and Subsidiaries	Chile	US$	99.8361	0.1639	100.0000	99.8361	0.1639	100.0000
Foreign	Lan Perú S.A.	Peru	US$	49.0000	21.0000	70.0000	49.0000	21.0000	70.0000
93.383.000-4	Lan Cargo S.A.	Chile	US$	99.8939	0.0041	99.8980	99.8939	0.0041	99.8980
Foreign	Connecta Corporation	U.S.A.	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Prime Airport Services Inc. and Subsidary	U.S.A.	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.951.280-7	Transporte Aéreo S.A.	Chile	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Lan Cargo Overseas Limited and Subsidiaries	Bahamas	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidary	Chile	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and Subsidiaries	Chile	US$	99.7100	0.2900	100.0000	99.7100	0.2900	100.0000
96.847.880-K	Technical Trainning LATAM S.A.	Chile	CLP	99.8300	0.1700	100.0000	99.8300	0.1700	100.0000
Foreign	Latam Finance Limited	Cayman Insland	US$	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
Foreign	Peuco Finance Limited	Cayman Insland	US$	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
Foreign	Profesional Airline Services INC.	U.S.A.	US$	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
Foreign	Jarletul S.A.	Uruguay	US$	99.0000	1.0000	100.0000	0.0000	0.0000	0.0000
Foreign	TAM S.A. and Subsidiaries (*)	Brazil	BRL	63.0901	36.9099	100.0000	63.0901	36.9099	100.0000

(*) As of December 31, 2018, the indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., a company ov which LATAM Airlines Group S.A. it has a 99.9983% share on economic rights and 49% of political rights its percentage arise as a result of t provisional measure No. 714 of the Brazilian government implemented during 2016 that allows foreign capital to have up to 49% ownership. In th way, since April 2016, LATAM Airlines Group S.A. owns 901 shares with the right to vote of Holdco I S.A., which is equivalent to 49% of the tot shares with voting rights of said company and TEP Chile S.A. owns 938 shares with the right to vote of Holdco I S.A., which is equivalent to 51% the total shares with voting rights.

b) Financial Information

		Statement of financial position						Net Income	
		As of December 31, 2018			As of December 31, 2017			For the year ended December 31,	
								2018	2017
Tax No.	Company	Assets	Liabilities	Equity	Assets	Liabilities	Equity	Gain /(loss)	
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
96.518.860-6	Latam Travel Chile S.A. and Subsidary	10,165	3,210	6,955	6,771	2,197	4,574	2,385	1,833
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (*)	522,855	1,278,349	(762,139)	499,345	1,101,548	(596,406)	(128,345)	(35,943)
Foreign	Lan Perú S.A.	417,767	407,570	10,197	315,607	303,204	12,403	3,372	1,205
93.383.000-4	Lan Cargo S.A.	511,275	334,498	176,777	584,169	371,934	212,235	(34,401)	(30,220)
Foreign	Connecta Corporation	66,593	28,183	38,410	38,735	17,248	21,487	16,923	13,030
Foreign	Prime Airport Services Inc. and Subsidary (*)	15,817	17,654	(1,837)	12,671	15,722	(3,051)	1,225	857
96.951.280-7	Transporte Aéreo S.A.	330,777	128,428	202,349	324,498	104,357	220,141	(17,847)	2,172
96.631.520-2	Fast Air Almacenes de Carga S.A.	15,499	7,962	7,537	12,931	4,863	8,068	386	939
Foreign	Laser Cargo S.R.L.	26	13	13	18	27	(9)	(3)	2
Foreign	Lan Cargo Overseas Limited and Subsidiaries (*)	53,326	13,040	38,812	66,039	42,271	18,808	19,876	3,438
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidary (*)	181,522	192,059	(9,614)	144,884	156,005	(10,112)	497	3,389
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (*)	1,383	50	1,333	11,681	5,201	6,377	(4,774)	1,561
96.847.880-K	Technical Trainning LATAM S.A.	2,879	1,031	1,848	1,967	367	1,600	884	109
Foreign	Latam Finance Limited	679,034	756,774	(77,740)	678,289	708,306	(30,017)	(47,723)	(30,017)
Foreign	Peuco Finance Limited	608,191	608,191	-	608,191	608,191	-	-	-
Foreign	Profesional Airline Services INC.	2,430	1,967	463	3,703	3,438	265	197	294
Foreign	Jarletul S.A.	18	125	(107)	-	-	-	(107)	-
Foreign	TAM S.A. and Subsidiaries (*)	4,304,126	3,013,831	1,221,459	4,490,714	3,555,423	856,829	(12,538)	160,582

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

Additionally, we have proceeded to consolidate the following special purpose entities: 1. Chercán Leasing Limited created to finance the pre-delivery payments on aircraft; 2. Guanay Finance Limited created to issue a bond collateralized with future credit card receivables; 3. Private investment funds. These companies have been consolidated as required by IFRS 10.

All controlled entities have been included in the consolidation.

The changes that occurred in the consolidation perimeter between January 1, 2017 and December 31, 2018, are detailed below:

(1) Incorporation or acquisition of companies

- Prismah Fidelidade Ltda. was constituted on June 29, 2012, whose ownership corresponds 99.99% to Multiplus S.A. direct subsidiary of TAM S.A. The operation of this company began in December 2017.

- On November 2015, the company Peuco Finance Limited was created, whose ownership corresponds 100% to LATAM Airlines Group S.A. The operation of this company began in December 2017.

- During the month of December 2017, a capital increase in TAM S.A was reported to the Finance Committee for up to US $ 900 million.

  The contributions were made on December 11, 2017 for US $ 210 million, January 24, 2018 for US $ 449 million and February 5, 2018 for US $ 200 million, without issuance of new shares.

  These capital increases were made and integrated 100% by the shareholder LATAM Airlines Group S.A.

  The foregoing, in accordance with the TAM's shareholder Holdco I S.A., who renounces to any right arisinged from this increase.

- On January 22, 2018, Lan Pax Group S.A., purchased 17,717 shares of Laser Cargo SRL. to Andes Airport Service S.A., consequently Lan Pax Group S.A. ownsership is 3.77922% and Lan Cargo S.A. with a 96.22078% share of Laser Cargo SRL.

- On March 13, 2018, the company Jarletul S.A., was create. The company ownership is 99% of LATAM Airlines Group S.A. and a 1% is from Inversiones Lan S. A.. The company main activity is a Travel Agency.

- As of December 31, 2018, Inversiones LAN S.A., subsidiary of LATAM Airlines Group S.A., acquired 5,319 shares of Aerovías de Integración Regional Aires S.A. a non-controlling shareholder, consequently, the indirect participation of LATAM Airlines Group S.A. correspond to 99.2012%

(2) Dissolution of companies

- On November 20, 2017 LATAM Airlines Group S.A. acquires 100% of the shares of Inmobiliaria Aeronáutica S.A. consequently, a merger and subsequent dissolution of said company was carried out.

(3) Disappropriation of companies.

- On May 5, 2017 Lan Pax Group S.A. and Inversiones Lan S.A., both subsidiaries of LATAM Airlines Group S.A., sold to Talma Servicios Aeroportuarios S.A. and Inversiones Talma S.A.C., 100% of the capital stock of Rampas Andes Airport Services S.A.

  The sale value of Rampas Andes Airport Services S.A. it was of ThUS$ 8,624.

- On May 7, 2018 LATAM Airlines Group S.A. and its subsidiaries Inversiones LAN S.A. and LAN Pax Group S.A., sold, assigned and transferred to the Spanish companies Acciona Airport Services, S.A. and Acciona Aeropuertos, S.L., 100% of its shares in the subsidiary Andes Airport Services S.A.

  The sale value of Andes Airport Services S.A. it was ThUS$ 39,108

- On November 30, 2018, Mas Investment Limited, a subsidiary of LATAM Airlines Group S.A., sold to Puente Aéreo Corporación S.A. de C.V. his participation in the companies Air Transportes Mas de Carga S.A. de C.V. and Promotora Aérea Latino Americana S.A. de C.V.

  The sale value of this transaction was ThUS$ 29,466.

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. for the period ended December 31, 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issue by the International Accounting Standards Board ("IASB") incorporated therein and with the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC).

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

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

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

(a) Accounting pronouncements with implementation effective from January 1, 2018:

	Date of issue	Mandatory application: exercises started at from
(i) Rules and amendments		
IFRS 9: Financial instruments.	December 2009	01/01/2018
Amendment to IFRS 9: Financial instruments.	November 2013	01/01/2018
IFRS 15: Revenue from ordinary activities from contracts with customers.	May 2014	01/01/2018
Amendment to IFRS 15: Revenue from ordinary activities from contracts with customers.	April 2016	01/01/2018
Amendment to IFRS 2: Share-based payments	June 2016	01/01/2018
Amendment to IFRS 4: Insurance contract	September 2016	01/01/2018
Amendment to IAS 40: Investment property	December 2016	01/01/2018
(ii) Improvements		
Improvements to the International Financial Reporting Standards (cycle 2014-2016) IFRS 1: Adoption for the first time of international financial reporting standards and IAS 28 Investments in associates and joint ventures.	December 2016	01/01/2018
(iii) Interpretations		
IFRIC 22: Transactions in foreign currency and anticipated consideration	December 2016	01/01/2018

The Company has recognized the changes identified as a result of the adoption of IFRS 9 and IFRS 15, recognizing the cumulative effect of the initial application of these standards as an adjustment to the opening balance of retained earnings as of January 1, 2018, therefore, the Financial statements as of December 31, 2017 have not been modified.

The impacts of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from ordinary contracts with customers are as follows:

Consolidated statement of financial position (extract)

	Note	As of December 31, 2017	Adoption effect IFRS 9		Adoption effect IFRS 15		As of January 1 2018
		ThUS$	THUS$		ThUS$		ThUS$
Current assets							
Other non-financial assets, current	7 - 12	221,188	-		54,361	(4)	275,549
Trade debtors and other accounts receivable, current	7 - 8	1,214,050	(11,105)	(1)	-		1,202,945
Non-current assets							
Deferred tax assets		364,021	89	(2)	6,005	(7)	370,115
Current liabilities							
Accounts payable commercial and other Debts to pay	7 - 20	1,695,202	-		(22,192)	(5)	1,673,010
Other non-financial liabilities, current	22	2,823,963	-		77,640	(6)	2,901,603
Non-current liabilities							
Deferred tax liability	18	949,697	(1,021)	(2)	4,472	(5)	953,148
Equity							
Accumulated earnings	25	475,118	(9,995)	(3)	446	(8)	465,569

- Effects of adopting IFRS 9

(1) Expected credit losses: The Company modified the calculation of the impairment provision to comply with the expected credit loss model, established in IFRS 9 Financial Instruments, which replaces the current loss impairment model incurred. To the calculate porcentage of credit losses, a risk matrix was used, grouping the portfolio, according to similar characteristics of risk and maturity. This change resulted in the recognition of an increase in the provision for impairment losses of US $ (11.1) million.

This standard also includes requirements related to the classification and measurement of financial assets and liabilities and an expected credit loss model that replaces the current loss impairment model incurred.

As of January 1, 2018, the calculation of the impairment losses provision are as follows:

	Portfolio maturity					
	Up to date	Up to 90 days	Up to 91 to 180 days	Up to 181 to 360 days	More than 360 days	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Expected loss rate	1%	21%	46%	67%	94%	8%
Gross book value	1,046,909	36,241	12,001	14,623	66,022	1,175,796
Impairment provision	(13,570)	(7,774)	(5,499)	(9,803)	(61,787)	(98,433)

(2) Deferred tax adjustments originated by the application of IFRS 9.

(3) Net effect on accumulated results of the adjustments indicated above.

In addition to the impacts on the consolidated statement of financial position, the application of IFRS 9: Financial Instruments requires the classification of financial instruments according to the business model, to determine the form of measurement of financial instruments, after their initial recognition.

The Company analyzed the business models and classified its financial assets and liabilities according to the following:

	Classification IAS 39				Classification IFRS 9		
Assets	Loans and receivables	Hedge and derivatives	Held for traiding	Initial as fair value through profit and loss	Cost amortized	At fair value with changes in results	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of December 31, 2017	2,446,864	62,867	1,915	501,890	-	-	3,013,536
Cash and cash equivalents	(1,112,346)	-	-	(29,658)	1,112,346	29,658	-
Other financial assets, current	(23,918)	-	(1,421)	(472,232)	23,918	473,653	-
Trade debtors and other accounts receivable, current	(1,214,050)	-	-	-	1,214,050	-	-
Accounts receivable from entities related, current	(2,582)	-	-	-	2,582	-	-
Other financial assets, non-current	(87,077)	-	(494)	-	87,077	494	-
Accounts receivable, non-current	(6,891)	-	-	-	6,891	-	-
Balance as of January 1, 2018	-	62,867	-	-	2,446,864	503,805	3,013,536

	Classification IAS 39		Classification IFRS 9	
Liabilities	Others financial liabilities	Held hedge derivatives	Cost amortized	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of December 31, 2017	10,086,434	14,817	-	10,101,251
Other current financial liabilities	(1,288,749)	-	1,288,749	-
Trade accounts payable and other accounts payable, current	(1,695,202)	-	1,695,202	-
Accounts payable to related entities, current	(760)	-	760	-
Other financial liabilities, not current	(6,602,891)	-	6,602,891	-
Accounts payable, not current	(498,832)	-	498,832	-
Balance as of January 1, 2018	-	14,817	10,086,434	10,101,251

- Effects of adopting IFRS 15

(4) Contract costs: The Company has capitalized the costs related to the revenues from air transport of passengers, corresponding to: the commissions charged by the credit card administrators for US$ 22.0 million and the air ticket booking services through the system general distribution (GDS) for US$ 15.6 million. Additionally, there is a reclassification of commissions from travel agencies for US$ 16.8 million, which previously were presented, according IAS 18, net of the liability to fly in other non-financial liabilities.

(5) Contract liabilities: The Company has adjusted certain concepts that were recorded as obligations with suppliers and customers, which must now be treated as contract liabilities; therefore they must be deferred until the benefit of the service have been rendered. These concepts are mainly related to the ground transportation service for US $ 15.6 million and traveler's checks for US $ 6.6 million.

(6) Performance Obligations: The Company analyzed the moment in which the performance obligations identified in the contracts with customers must be recognized in the consolidated result. During this analysis, some concepts were identified which must be deferred until the moment of service provision, mainly related to land transportation services, charges for modifications to the initial contract in the sale of tickets and redeem of some products associated with loyalty programs for US$ 60.8 million. Additionally, there is the reclassification detailed in numeral (4) for US$ 16.8 million.

(7) Deferred tax adjustments originated by the application of IFRS 15.

(8) Net effect on accumulated results of the adjustments indicated above.

Additionally, the Company concluded that, in the rendering of certain services, it acted as agent in the provision of these services, therefore some reclassifications were made in the consolidated income statement to reflect the corresponding commission.

The effects of the changes recognized in the application of IFRS 15 in the year 2018 in the consolidated income statement are presented below:

Reconciliation Revenue		For the year ended December 31, 2018				
			Adjustments for reconciliation			
	Note	Results under IFRS 15	Contract costs (4)	Deferred revenues recognition [(5), (6)]	Reclassifications	Results under IAS 18
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Revenue	26	9,895,456	-	48,561	31,501	9,975,518
Cost of sales		(7,962,843)	-	(34,986)	-	(7,997,829)
Gross margin		1,932,613	-	13,575	31,501	1,977,689
Other income	28	472,758	-	-	42,563	515,321
Distribution costs		(619,200)	(43)	-	(20,003)	(639,246)
Administrative expenses		(721,270)	(806)	-	(54,061)	(776,137)
Other expenses		(359,781)	-	-	-	(359,781)
Other gains/(losses)		53,499	-	-	-	53,499
Income from operation activities		758,619	(849)	13,575	-	771,345
Financial income		53,253	-	-	-	53,253
Financial costs	27	(356,269)	-	-	-	(356,269)
Foreign exchange gains/(losses)	29	(157,708)	-	-	-	(157,708)
Result of indexation units		(865)	-	-	-	(865)
Income (loss) before taxes		297,030	(849)	13,575	-	309,756
Income (loss) tax expense / benefit	18	(88,456)	(23)	(1,030)	-	(89,509)
NET INCOME (LOSS) FOR THE		208,574	(872)	12,545	-	220,247
Income (loss) attributable to owners of the parent		176,822	(872)	12,545	-	188,495
Income (loss) attributable to non-controlling interest	14	31,752	-	-	-	31,752
Net income (loss) for the year		208,574	(872)	12,545	-	220,247

(b) Accounting pronouncements not yet in force for financial years beginning on January 1, 2018 and which has not been effected early adoption

(i) Rules and amendments	Date of issue	Mandatory application: exercises started at from
IFRS 16: Leases	January 2016	January 1, 2019
Amendment to IFRS 9: Financial Instruments	October 2017	January 1, 2019
Amendment to IAS 28: Investments in associates and joint ventures	October 2017	January 1, 2019
IFRS 17: Insurance contracts	May 2017	January 1, 2021
Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures.	September 2014	To be determined
Amendment to IAS 19: Benefits to employees	February 2018	January 1, 2019

	Date of issue	Mandatory application: exercises started at from
Amendment to IFRS 3: Business combination	October 2018	January 1, 2020
Amendment to IAS 1: Presentation of financial statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	October 2018	January 1, 2020
(ii) Improvements		
Improvements to International Financial Reporting Standards (cycle 2015-2017) IFRS 3: Business combination; IAS 12: Income tax; IFRS 11: Joint agreements and IAS 23 Costs for loans.	December 2017	January 1, 2019
(iii) Interpretations		
IFRIC 23: Uncertain tax positions	June 2017	January 1, 2019

The Company's management believes that the adoption of the standards, amendments and interpretations described above will not have a significant impact on the consolidated financial statements of the Company in the exercise of its first application, except for IFRS 16.

IFRS 16 Leases incorporates significant changes in the accounting of tenants by requiring a similar treatment to financial leases for all those leases that are currently classified as operational lease with a term greater than 12 months. This standard will be applied since January 1, 2019 and means, in general terms, that an asset representative of the right to use the assets subject to operational leasing contracts and a liability equivalent to the present value of the payments associated with the contract must be recognized. The effects on the income statement will be; the monthly lease payments will be replaced by the depreciation of the right of use and the recognition of a financial expense. Likewise, in the Statement of Cash Flows, the operating flow will decrease by the amount of the lease payment, increasing the flow of financing, separated in interest and principal, from the lease liability.

During the year 2018 the Company began the analysis of the effects of first adoption of IFRS 16, applying this new standard to the contracts identified as leases using IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement Contains a Lease".

The Company will apply this new standard with a retrospective application, restating the comparative financial statements, in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

The Company will continue to recognize the expenses associated with short-term lease contracts, as well as with the underlying low-value assets, in a straight-line manner as an expense in profit or loss, as indicated by the exception established in IFRS 16.

When establishing the terms of the lease, the Company has evaluated the relevant facts or circumstances that may determine the possible exercise of the options to extend or terminate the lease agreements. These options will be evaluated on each closing date.

For the valuation of the right of use and the lease liability, the Company has determined the present value of the payments for non-cancelable leases, using the implicit interest rate for leases related to aircraft, and incremental borrowing rate for the rest of the contracts. For incremental borrowing rate, the company considered for its calculation historical information on financing of the Company, market variables, asset types, country risk and currency among other factors.

The main impact due to the application of this new standard will came from the aircraft and engines, whose quantity and balance of non-cancelable lease commitments is disclosed in note 32 "Commitments".

As at the reporting date, the group has non-cancellable operating lease commitments for aircraft and engines of US$ 3,581 millions, additionally for other assets, it amounts of US$ 161 millions. Of these commitments, approximately US$ 59 millions relate to short-term leases and to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the group expects to recognize right-of-use assets of approximately US$ 2,512 millions on 1 January 2019, and lease liabilities for US$ 2,820 millions. It is estimated that there will be no significant effects on net income for the year 2019.

Operating cash flows will increase and financing cash flows decrease by approximately US$ 521 millions as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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.

Balances, transactions 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 revealed when carrying out a business combination, such as the acquisition of an entity by the Company, is apply the acquisition method provided for in IFRS 3: Business combination.

(b) Transactions with non-controlling interests

The Group 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 is 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) Adjustment due to hyperinflation

After July 1, 2018, the Argentine economy was considered, for purposes of IFRS, hyperinflationary. The financial statements of the subsidiaries whose functional currency is the Argentine Peso have been restated.

The non-monetary items of the statement of financial position as well as the income statement, comprehensive incomes and cash flows of the group's entities, whose functional currency corresponds to a hyperinflationary economy, are adjusted for inflation and re-expressed in accordance with the variation of the consumer price index ("CPI"), at each presentation date of its financial statements. The re-expression of non-monetary items is made from the date of initial recognition in the statements of financial position and considering that the financial statements are prepared under the historical cost criterion. (See Note 4(g))

Net losses or gains arising from the re-expression of non-monetary items and income and costs are recognized in the consolidated income statement under "Result of indexation units".

Net gains and losses on the re-expression of opening balances due to the initial application of IAS 29 are recognized in the consolidated retained earnings.

Re-expression due to hyperinflation will be recorded until the period in which the economy of the entity ceases to be considered as a hyperinflationary economy, at that time, the adjustments made by hyperinflation will be part of the cost of non-monetary assets and liabilities.

The comparative amounts in the Consolidated financial statements of the Company are presented in a stable currency and are not adjusted for subsequent changes in the price level or exchange rates.

(d) Group entities

The results and the financial situation of the Group's entities, whose functional currency is different from the presentation currency of the consolidated financial statements, of LATAM Airlines Group S.A., which does not correspond to the currency of a hyperinflationary economy, are converted into the currency of presentation 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.

For those subsidiaries of the group whose functional currency is different from the presentation currency and, moreover, corresponds to the currency of a hyperinflationary economy; its restated results, cash flow and financial situation are converted to the presentation currency at the closing exchange rate on the date of the consolidated financial statements.

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.

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, restated when the currency came from the functional entity of the foreign entity corresponds to that of a hyperinflationary economy, the adjustments for the restatement of goodwill are recognized in the consolidated equity.

2.4. Property, plant and equipment

The land of LATAM Airlines Group S.A. and Subsidiaries, are recognized at cost less any accumulated impairment loss. The rest of the Properties, plants and equipment are recorded, both in their initial recognition and in their subsequent measurement, at their historical cost, restated for inflation when appropriate, less the corresponding depreciation and any loss due to deterioration.

The amounts of advances paid to the aircraft manufacturers are activated by the Company under Construction in progress until they are received.

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

The depreciation of the properties, plants and equipment is calculated using the linear 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 the useful life of the assets are reviewed and adjusted, if necessary, once a year.

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

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

2.5. Intangible assets other than goodwill

(a) Airport slots and Loyalty program

Airport slots and the 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
(See Note 16)
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 10 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.

(c) Brands

The Brands were acquired in the business combination with TAM S.A. And Subsidiaries and recognized at fair value under IFRS. During the year 2016, the estimated useful life of the brands change from an indefinite useful life to a five-year period, the period in which the value of the brands will be amortized (See Note 15).

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 or each time that there is evidence of impairment. 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.

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

As of January 1, 2018, the Company classifies its financial assets in the following categories: at fair value (either through other comprehensive income, or through gains or losses), and at amortized cost. The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

The group reclassifies debt investments when, and only when, it changes its business model to manage those assets.

In the initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset classified at amortized cost, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets accounted for at fair value through profit or loss are recorded as expenses in the income statement.

(a) Debt instruments

The subsequent measurement of debt instruments depends on the group's business model to manage the asset and cash flow characteristics of the asset. The Company has two measurement categories in which the group classifies its debt instruments:

Amortized cost: the assets held for the collection of contractual cash flows where those cash flows represent only payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in income when the asset is derecognized or impaired. Interest income from these financial assets is included in financial income using the effective interest rate method.

Fair value through profit or loss: assets that do not meet the criteria of amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and is presented net in the income statement within other gains / (losses) in the period in which it arises.

(b) Equity instruments

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gains / (losses) in the statement of income as appropriate.
The Company evaluates in advance the expected credit losses associated with its debt instruments recorded at amortized cost. The applied impairment methodology depends on whether there has been a significant increase in credit risk.

2.10. Derivative financial instruments and hedging activities

Derivatives are recognized, in accordance with IAS 39, initially at fair value on the date on which the derivative contract was made and are subsequently valued at their fair value. The method to recognize the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument and, if so, the nature of the item being 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 instrument mature, is sold or fails to 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

Commercial accounts receivable are initially recognized at their fair value and subsequently at their amortized cost in accordance with the effective rate method, less the provision for impairment according to the model of the expected credit losses. The company applies the simplified approach permitted by IFRS 9, which requires that expected lifetime losses be recognized upon initial recognition of accounts receivable.

The existence of significant financial difficulties on the part of the debtor, the probability that the debtor goes bankrupt or financial reorganization are considered indicators of a significant increase in credit risk.

The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the consolidated income statement under "Cost of sales". When an account receivable is written off, it is regularized against the provision account for the account 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.

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 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 based on the shares of the Company are recognized in the consolidated financial statements in accordance with IFRS 2: Share-based payments, for plans based on the granting of options, the effect of fair value is recorded in equity with a charge to remuneration in a linear manner between the date of grant of said options and the date on which they become irrevocable, for the plans considered as cash settled award the fair value, updated as of the closing date of each reporting period, is recorded as a liability with charge to remuneration.

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

Provisions are made for these obligations by applying the method of the projected unit credit method, 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 from contracts with customers

(a) Transportation of passengers and cargo

The Company recognizes the sale for the transportation service as a deferred income liability, which is recognized as income when the transportation service has been lent or expired. In the case of air transport services sold by the Company and that will be made by other airlines, the liability is reduced when they are remitted to said airlines. The Company periodically reviews whether it is necessary to make an adjustment to deferred income liabilities, mainly related to returns, changes, among others.

Compensations granted to clients for changes in the levels of services or billing of additional services such as additional baggage, change of seat, among others, are considered modifications of the initial contract, therefore, they are deferred until the corresponding service is provided.

(b) Expiration of air tickets

The Company estimates in a monthly basis the probability of expiration of air tickets, with refund clauses, based on the history of use of the same. Air tickets without refund clause are expired on the date of the flight in case the passenger does not show up.

(c) Costs associated with the contract

The costs related to the sale of air tickets are activated and deferred until the corresponding service is provided. These assets are included under Other non-financial assets in the Consolidated Classified Statement of Financial Position.

(d) Frequent passenger program

The Company maintains the following loyalty programs: LATAM Pass, LATAM Fidelidade and Multiplus, whose objective is loyalty through the delivery of miles or points.

Members of these programs accumulate miles when flying with LATAM Airlines Group or any other member airline of the oneworld® program, as well as using the services of the associated entities.

When the miles and points are exchanged for products and services other than the services provided by the Company, the income is immediately recognized. When the exchange is made through air tickets of an airline of LATAM Airlines Group S.A. and subsidiaries, the income is deferred until the transportation service are rendered or expiration for non-use.

In addition, the Company has contracts with certain non-airline companies for the sale of miles or points. These contracts include some performance obligations in addition to the sale of the mile or point, such as marketing, advertising and other benefits. The income associated with these concepts is recognized in the income statement to the extent that the miles are accredited.

The calculation of the deferred income by loyalty programs at the end of the period corresponds to the valuation of the miles and points awarded to the holders of the loyalty programs, pending use, weighted by the probability of their exchange.

The miles and points that the Company estimates will not be exchanged, the proportionally associated value is recognized during the period in which it is expected that the remaining miles and points will be exchanged. The Company uses statistical models to estimate the exchange probability, which is based on historical patterns and projections.

(e) Dividend income

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

2.21. Leases

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

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

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

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

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

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

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

2.23. Maintenance

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

In case of own aircraft or under financial leases, these maintenance cost are capitalized as Property, plant and equipment, while in the case of aircraft under operating leases, a liability is accrued based on the use of the main components is recognized, since a contractual obligation with the lessor to return the aircraft on agreed terms of maintenance levels exists. 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, the recovery is requested to the lessor. At the end of the contract period, there is comparison between the reserves that have been paid and required return conditions, and compensation between the parties are made 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 is exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The program overall risk management of the Company aims to minimize the adverse effects of financial risks affecting the company.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market factors such as: (i) fuel-price risk, (ii) exchange -rate risk, and (iii) interest -rate risk.

The Company has developed policies and procedures for managing market risk, which aim to identify, quantify, monitor and mitigate the adverse effects of changes in market factors mentioned above.

For this, the Administration monitors the evolution of price levels, exchange rates and interest rates, and quantifies their risk exposures (Value at Risk), and develops and implements hedging strategies.

(i) Fuel-price risk:

Exposition:

For the execution of its operations the Company purchases a fuel called Jet Fuel grade 54 USGC, which is subject to the fluctuations of international fuel prices.

Mitigation:

To cover the risk exposure fuel, the Company operates with derivative instruments (swaps and options) whose underlying assets may be different from Jet Fuel, being possible use West Texas Intermediate ("WTI") crude, Brent ("BRENT") crude and distillate Heating Oil ("HO"), which have a high correlation with Jet Fuel and greater liquidity.

Fuel Hedging Results:

During the year ended December 31, 2018, the Company recognized gains of US$ 29.7 million for fuel coverage net of premium. During the same period of 2017, the Company recognized gains of US$ 15.1 million for the same concept.

As of December 31, 2018, the market value of fuel positions amounted to US$ 15.8 million (negative). At the end of December 2017, this market value was US$ 10.7 million (positive).

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

Positions as of December 31, 2018 (*)	Maturities				
	Q119	Q219	Q319	Q419	Total
Percentage of coverage over the expected volume of consumption	66%	58%	40%	15%	45%

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

Positions as of December 31, 2017 (*)	Maturities			
	Q118	Q218	Q318	Total
Percentage of coverage over the expected volume of consumption	19%	12%	5%	12%

(*) 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, 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.

The current hedge positions they are booked as cash flow hedge contracts, so a variation in the fuel price has an impact on the Company's net equity.

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of the fourth quarter of 2019.

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 2018 and the end of December, 2017.

Benchmark price (US$ per barrel)	Positions as of December 31, 2018 effect on equity (millions of US$)	Positions as of December 31, 2017 effect on equity (millions of US$)
+5	+7.4	+1.8
-5	- 5.5	-3.3

Given the structure of fuel coverage during 2018, considers a hedge-free portion, a vertical drop of 5 dollars in the JET reference price (considered as the monthly average), would have meant an approximate impact US $ 135.2 million of lower fuel costs. For the same period, a vertical rise of $ 5 in the JET reference price (considered as the monthly average) would have meant an impact of approximately US $ 146.5 million of higher fuel costs.

(ii) Foreign exchange rate risk:

Exposition:

The functional and presentation currency of the Financial Statements of the Parent Company is the US dollar, so that the risk of the Transactional and Conversion exchange rate arises mainly from the Company's business, strategic and accounting operating activities that are expressed in a monetary unit other than the functional currency.

The subsidiaries of LATAM are also exposed to foreign exchange risk whose impact affects the Company's Consolidated Income.

The largest operational exposure to LATAM's exchange risk comes from the concentration of businesses in Brazil, which are mostly denominated in Brazilian Real (BRL), and are actively managed by the company.

At a lower concentration, the Company is also exposed to the fluctuation of other currencies, such as: Euro, Pound sterling, Australian dollar, Colombian peso, Chilean peso, Argentine peso, Paraguayan guarani, Mexican peso, Peruvian nuevo sol and New Zealand dollar.

Mitigation:

The Company mitigates currency risk exposures by contracting derivative instruments or through natural hedges or execution of internal operations.

FX Hedging Results:

With the objective of reducing exposure to the exchange rate risk in the operational cash flows of 2018, and securing the operating margin, LATAM makes hedges using FX derivatives.

As of December 31, 2018, the Company does not maintain hedge derivatives. At the end of December 2017, this market value was US $ 4.4 million (positive).

During the period ended December 31, 2018, the Company recognized gains of US$ 18.3 million for FX net premium coverage. During the same period of 2017, the company recognized losses of US$ 9.7 million for this concept.

As of December 31, 2018, the Company has not subscribed new FX derivatives. By the end of December 2017, the company had contracted FX derivatives for US$ 180 million for BRL.

As of December 31, the company has contracted FX derivatives which have not been recorded under hedge accounting. The market value of these positions amounts to US$ 19.4 million (positive). The premium associated with the contracting of this derivative is accrued linearly during the months elapsed until the expiration of the instrument. The Company registered the derivative as fair value through profits and loss. As of December 31, 2018, the amount recognized in results amounts to US $ 11.7 million (positive) net of premiums.

Sensitivity analysis:

A depreciation of the R$/US$ exchange rate, negatively affects the Company's operating cash flows, however, also positively affects the value of the positions of derivatives contracted.

FX derivatives are recorded as cash flow hedge contracts; therefore, a variation in the exchange rate has an impact on the market value of the derivatives, the changes of which affect the Company's net equity.

As of December 31, 2018, the Company does not have FX derivatives in its portfolio. During 2017, the Company contracted derivative currency swaps to hedge debt issued the same year for a notional UF 8.7 million. As of December 31, 2018, the market value of derivative positions of currency swaps amounted to US$ 15.1 million (positive).

In the case of TAM S.A, whose functional currency is the Brazilian real, a large part of its liabilities are expressed in US dollars. Therefore, when converting financial assets and liabilities, from dollars to reais, they have an impact on the result of TAM S.A., which is consolidated in the Company's Income Statement.

With the objective of reducing the impact on the Company's results caused by appreciations or depreciations of R$/US $, the Company has executed internal operations to reduce the net exposure in US$ for TAM S.A.

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

Appreciation (depreciation) of R$/US$(*)	Effect at December 31, 2018 Millions of US$	Effect at December 31, 2017 Millions of US$
-10%	+39.8	+80.5
+10%	-39.8	-80.5

(*) Appreciation (depreciation) of US$ regard to the covered currencies.

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 19).

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

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

Appreciation (depreciation) of R$/US$	Effect at December 31, 2018 Millions of US$	Effect at December 31, 2017 Millions of US$
-10%	+384.73	+386.62
+10%	-314.78	-316.33

(iii) Interest -rate risk:

Exposition:

The Company is exposed to fluctuations in interest rates affecting the markets future cash flows of the assets, and current and future financial liabilities.

The Company is exposed in one portion to the variations of London Inter-Bank Offer Rate ("LIBOR") and other interest rates of less relevance are Brazilian Interbank Deposit Certificate ("ILC").

Mitigation:

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 60% (63% at December 31, 2017) of the debt is fixed to fluctuations in interest rate.

Rate Hedging Results:

As of December 31, 2018, the market value of the derivative positions of interest rates amounted to US $ 2.2 million (negative). At the end of December 2017, this market value was US $ 6.6 million (negative).

Sensitivity analysis:

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 each date.

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2018 effect on profit or loss before tax (millions of US$)	Positions as of December 31, 2017 effect on profit or loss before tax (millions of US$)
+100 basis points	-29.62	-29.26
-100 basis points	+29.62	+29.26

Much of the current rate derivatives are registered for as hedges of cash flow, therefore, a variation in the exchange rate has an impact on the market value of derivatives, whose changes impact on the Company's net equity.

The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve, being both reasonably possible scenarios according to historical market conditions.

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2018 effect on equity (millions of US$)	Positions as of December 31, 2017 effect on equity (millions of US$)
+100 basis points	+0.70	+1.9
-100 basis points	-0.71	-1.9

The assumptions of sensitivity calculation must assume that forward curves of interest rates do not necessarily reflect the real value of the compensation flows. Moreover, the structure of interest rates is dynamic over time.

During the periods presented, the Company has no registered amounts by ineffectiveness in consolidated statement of income for this kind of hedging.

(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 sufficient 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, the Company requires liquid funds, defined as cash and cash equivalents plus other short term financial assets, to meet its payment obligations.

The liquid funds, the future cash generation and the capacity to obtain additional funding, through bond issuance and banking loans, will allow the Company to obtain sufficient alternatives to face its investment and financing future commitments.

At December 31, 2018 is US$ 1,404 million (US$ 1,614 million at December 31, 2017), invested in short term instruments through financial high credit rating levels entities.

In addition to the balance of liquid funds, the Company has access to short-term credit lines. As of December 31, 2018, LATAM has credit lines for working capital that are not committed to several banks and additionally has an unused committed line of US $ 600 million (US $ 450 million as of December 31, 2017) subject to availability of collateral.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2018

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$		%	%
Loans to exporters													
97.032.000-8	BBVA	Chile	US$	38,625	76,275	-	-	-	114,900	113,000	At Expiration	3.36	3.36
97.032.000-8	BBVA	Chile	UF	-	52,490	-	-	-	52,490	50,785	At Expiration	3.31	3.31
97.036.000-K	SANTANDER	Chile	US$	23,070	-	-	-	-	23,070	23,000	At Expiration	3.90	3.90
97.003.000-K	BANCO DO BRASIL	Chile	US$	201,884	-	-	-	-	201,884	200,000	At Expiration	3.64	3.64
97.951.000-4	HSBC	Chile	US$	12,094	-	-	-	-	12,094	12,000	At Expiration	3.14	3.14
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	5,778	17,086	16,662	-	-	39,526	38,231	Quarterly	3.35	3.35
0-E	BLADEX	U.S.A.	US$	-	15,766	-	-	-	15,766	15,000	Semiannual	6.74	6.74
97.036.000-K	SANTANDER	Chile	US$	1,347	587	102,521	-	-	104,455	102,521	Quarterly	5.60	5.60
76.362.099-9	BTG	Chile	UF	510	1,531	69,435	-	-	71,476	65,862	At Expiration	3.10	3.10
Obligations with the public													
0-E	BANK OF NEW YORK	U.S.A.	US$	-	84,375	614,375	96,250	724,063	1,519,063	1,200,000	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	18,985	37,970	196,970	213,114	467,039	345,182	At Expiration	5.50	5.50
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	743	2,201	5,718	2,086	-	10,748	10,080	Quarterly	3.23	3.23
0-E	BNP PARIBAS	U.S.A.	US$	14,741	61,973	152,826	145,252	250,387	625,179	511,698	Quarterly	4.55	4.55
0-E	WILMINGTON TRUST COMPANY	U.S.A.	US$	31,336	96,304	248,720	289,251	509,168	1,174,779	952,758	Quarterly	4.47	4.47
0-E	CITIBANK	U.S.A.	US$	12,757	38,398	102,062	77,710	65,232	296,159	269,365	Quarterly	3.82	2.94
0-E	US BANK	U.S.A.	US$	18,406	55,112	146,045	144,670	86,076	450,309	411,684	Quarterly	4.00	2.82
0-E	NATIXIS	France	US$	14,027	42,132	111,528	92,228	124,910	384,825	324,524	Quarterly	4.69	4.69
0-E	PK AirFinance	U.S.A.	US$	2,490	7,663	25,610	3,153	-	38,916	37,615	Monthly	4.15	4.15
0-E	INVESTEC	England	US$	2,004	11,579	26,874	24,367	-	64,824	54,014	Semiannual	7.17	7.17
Otras obligaciones garantizadas													
0-E	CREDIT AGRICOLE	France	US$	2,576	8,380	273,122	-	-	284,078	253,692	At Expiration	4.11	4.11
0-E	DVB BANK SE	Germany	US$	28,087	83,260	213,177	122,674	20,274	467,472	422,065	Quarterly	4.42	4.42
Other guaranteed obligations													
0-E	ING	U.S.A.	US$	4,025	12,075	12,134	-	-	28,234	26,831	Quarterly	5.70	5.01
0-E	CREDIT AGRICOLE	France	US$	7,618	21,994	27,811	1,684	-	59,107	56,403	Quarterly	3.66	3.31
0-E	CITIBANK	U.S.A.	US$	14,870	44,570	83,389	42,178	-	185,007	172,158	Quarterly	4.40	3.80
0-E	PEFCO	U.S.A.	US$	5,771	13,541	3,899	-	-	23,211	22,407	Quarterly	5.64	5.02
0-E	BNP PARIBAS	U.S.A.	US$	8,467	25,214	26,933	1,641	-	62,255	59,567	Quarterly	3.90	3.58
0-E	WELLS FARGO	U.S.A.	US$	35,458	106,397	282,923	239,168	99,232	763,178	719,338	Quarterly	2.77	2.09
97.036.000-K	SANTANDER	Chile	US$	6,340	19,025	49,945	26,779	-	102,089	95,022	Quarterly	3.68	3.14
0-E	RRPF ENGINE	England	US$	1,167	3,480	9,103	8,826	4,870	27,446	23,012	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A.	US$	1,711	5,175	13,640	13,394	760	34,680	31,544	Quarterly	3.93	3.33
0-E	BTMU	U.S.A.	US$	3,489	10,485	27,605	27,062	775	69,416	63,189	Quarterly	4.06	3.46
0-E	NATIXIS	France	US$	4,242	9,870	9,815	563	-	24,490	23,161	Quarterly	4.28	4.12
0-E	KFW IPEX-BANK	Germany	US$	1,764	5,328	5,378	-	-	12,470	12,215	Quarterly	4.20	4.19
0-E	AIRBUS FINANCIAL	U.S.A.	US$	2,074	6,197	7,840	-	-	16,111	15,417	Monthly	4.19 -	4.19
Other loans													
0-E	CITIBANK (*)	U.S.A.	US$	25,705	77,703	103,341	-	-	206,749	196,211	Quarterly	6.00	6.00
0-E	Boeing	U.S.A.	US$	559	1,425	55,728	-	-	57,712	55,727	At Expiration	4.01	4.01
Hedge derivative													
-	OTHERS	-	US$	1,224	2,484	681	-	-	4,389	4,021	-	-	-
	Total			534,959	1,039,060	2,866,810	1,555,906	2,098,861	8,095,596	6,989,299			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2018
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Bank loans													
0-E	NEDERLANDSCHE NCM	Holland	US$	175	499	1,332	55	-	2,061	1,851	Monthly	6.01	6.01
Financial leases													
0-E	NATIXIS	France	US$	4,195	7,935	46,780	41,872	-	100,782	95,789	Quarterly / Semiannual	6.87	6.87
0-E	WACAPOU LEASING S.A.	Luxembourg	US$	839	2,433	6,542	-	-	9,814	9,226	Quarterly	4.81	4.81
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	11,536	32,312	161,778	-	-	205,626	208,224	Quarterly	5.88	5.82
0-E	GA Telesis LLC	U.S.A.	US$	680	1,753	4,675	4,675	11,318	23,101	13,202	Monthly	15.62	15.62
	Total			17,425	44,932	221,107	46,602	11,318	341,384	328,292			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2018
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 ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Trade and other accounts payables													
-	OTHERS	OTHERS	US$	356,342	11,773	-	-	-	368,115	368,115	-	-	-
			CLP	137,296	359	-	-	-	137,655	137,655	-	-	-
			BRL	250,915	925	-	-	-	251,840	251,840	-	-	-
			Other currencies	518,448	3,918	-	-	-	522,366	522,366	-	-	-
Accounts payable to related parties currents													
Foreing	Inversora Aeronáutica Argentina S.A.	Argentina	ARS	15	-	-	-	-	15	15	-	-	-
78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	365	-	-	-	-	365	365	-	-	-
Extranjera	TAM Aviação Executiva e Taxi Aéreo S.A.	Brazil	BRL	2	-	-	-	-	2	2	-	-	-
	Total			1,263,383	16,975	-	-	-	1,280,358	1,280,358			
	Total consolidated			1,815,767	1,100,967	3,087,917	1,602,508	2,110,179	9,717,338	8,597,949			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2017

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 ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Loans to exporters													
97.032.000-8	BBVA	Chile	US$	75,863	-	-	-	-	75,863	75,000	At Expiration	2.30	2.30
97.032.000-8	BBVA	Chile	UF	-	57,363	-	-	-	57,363	55,801	At Expiration	3.57	2.77
97.036.000-K	SANTANDER	Chile	US$	30,131	-	-	-	-	30,131	30,000	At Expiration	2.49	2.49
97.030.000-7	ESTADO	Chile	US$	40,257	-	-	-	-	40,257	40,000	At Expiration	2.57	2.57
97.003.000-K	BANCO DO BRASIL	Chile	US$	100,935	-	-	-	-	100,935	100,000	At Expiration	2.40	2.40
97.951.000-4	HSBC	Chile	US$	12,061	-	-	-	-	12,061	12,000	At Expiration	2.03	2.03
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	22,082	22,782	43,430	-	-	88,294	84,664	Quarterly	3.68	3.68
0-E	BLADEX	U.S.A.	US$	-	16,465	15,628	-	-	32,093	30,000	Semiannual	5.51	5.51
97.036.000-K	SANTANDER	Chile	US$	2,040	3,368	202,284	-	-	207,692	202,284	Quarterly	4.41	4.41
Obligations with the public													
0-E	BANK OF NEW YORK	U.S.A.	US$	-	84,375	650,625	96,250	772,188	1,603,438	1,200,000	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	20,860	41,720	226,379	245,067	534,026	379,274	At Expiration	5.50	5.50
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	8,368	25,415	56,305	12,751	-	102,839	98,091	Quarterly	2.66	2.22
0-E	BNP PARIBAS	U.S.A.	US$	14,498	59,863	148,469	145,315	313,452	681,597	575,221	Quarterly	3.41	3.40
0-E	WELLS FARGO	U.S.A.	US$	30,764	92,309	246,285	246,479	245,564	861,401	808,987	Quarterly	2.46	1.75
0-E	WILMINGTON TRUST COMPANY	U.S.A.	US$	32,026	95,042	253,469	244,836	676,474	1,301,847	1,034,853	Quarterly	4.48	4.48
0-E	CITIBANK	U.S.A.	US$	14,166	42,815	114,612	112,435	102,045	386,073	351,217	Quarterly	3.31	2.47
0-E	BTMU	U.S.A.	US$	3,292	9,997	26,677	26,704	14,133	80,803	74,734	Quarterly	2.87	2.27
0-E	APPLE BANK	U.S.A.	US$	1,611	4,928	13,163	13,196	7,369	40,267	37,223	Quarterly	2.78	2.18
0-E	US BANK	U.S.A.	US$	18,485	55,354	146,709	145,364	158,236	524,148	472,833	Quarterly	4.00	2.82
0-E	DEUTSCHE BANK	U.S.A.	US$	4,043	12,340	32,775	32,613	32,440	114,211	96,906	Quarterly	4.39	4.39
0-E	NATIXIS	France	US$	18,192	54,952	129,026	105,990	166,011	474,171	413,011	Quarterly	3.42	3.40
0-E	PK AirFinance	U.S.A.	US$	2,375	7,308	20,812	18,104	-	48,599	46,500	Monthly	3.18	3.18
0-E	KFW IPEX-BANK	Germany	US$	2,570	7,111	16,709	1,669	-	28,059	26,888	Quarterly	3.31	3.31
0-E	AIRBUS FINANCIAL	U.S.A.	US$	2,033	6,107	15,931	-	-	24,071	22,925	Monthly	3.19	3.19
0-E	INVESTEC	England	US$	1,930	11,092	26,103	26,045	11,055	76,225	63,378	Semiannual	6.04	6.04
Other guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	1,757	5,843	246,926	-	-	254,526	241,287	At Expiration	3.38	3.38
Financial leases													
0-E	ING	U.S.A.	US$	5,890	12,076	28,234	-	-	46,200	42,957	Quarterly	5.67	5.00
0-E	CITIBANK	U.S.A.	US$	12,699	38,248	91,821	51,222	2,880	196,870	184,274	Quarterly	3.78	3.17
0-E	PEFCO	U.S.A.	US$	13,354	34,430	23,211	-	-	70,995	67,783	Quarterly	5.46	4.85
0-E	BNP PARIBAS	U.S.A.	US$	13,955	35,567	50,433	2,312	-	102,267	98,105	Quarterly	3.66	3.25
0-E	WELLS FARGO	U.S.A.	US$	12,117	38,076	98,424	66,849	21,253	236,719	221,113	Quarterly	3.17	2.67
97.036.000-K	SANTANDER	Chile	US$	6,049	18,344	48,829	47,785	3,156	124,163	117,023	Quarterly	2.51	1.96
0-E	RRPF ENGINE	England	US$	370	3,325	8,798	8,692	9,499	30,684	25,983	Monthly	4.01	4.01
Other loans													
0-E	CITIBANK (*)	U.S.A.	US$	25,783	77,810	206,749	-	-	310,342	285,891	Quarterly	6.00	6.00
Hedge derivative													
-	Others	-	US$	5,656	6,719	6,228	-	-	18,603	17,407	-	-	-
	Total			535,352	960,284	3,010,385	1,630,990	2,780,822	8,917,833	7,633,613			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2017
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Bank loans													
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	176	497	1,332	722	-	2,727	2,382	Monthly	6.01	6.01
Financial leases													
0-E	NATIXIS	France	US$	4,248	7,903	23,141	71,323	-	106,615	99,036	Quarterly / Semiannual	5.59	5.59
0-E	WACAPOU LEASING S.A.	Luxembourg	US$	837	2,411	6,509	3,277	-	13,034	12,047	Quarterly	3.69	3.69
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	11,735	32,230	204,836	-	-	248,801	244,513	Quarterly	4.87	4.81
0-E	BANCO IBM S.A	Brazil	BRL	34	-	-	-	-	34	21	Monthly	6.89	6.89
0-E	SOCIÉTÉ GÉNÉRALE	France	BRL	161	12	-	-	-	173	109	Monthly	6.89	6.89
	Total			17,191	43,053	235,818	75,322	-	371,384	358,108			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2017
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 ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Trade and other accounts payables													
-	OTHERS	OTHERS	ThUS$	566,838	-	-	-	-	566,838	566,838	-	-	-
			CLP	165,299	-	-	-	-	165,299	165,299	-	-	-
			BRL	315,605	-	-	-	-	315,605	315,605	-	-	-
			Other currencies	290,244	11,215	-	-	-	301,459	301,459	-	-	-
Accounts payable to related parties currents													
78.997.060-2	Viajes Falabella Ltda.	Chile	CLP	534	-	-	-	-	534	534	-	-	-
0-E	Inversora Aeronáutica Argentina	Argentina	ThUS$	4	-	-	-	-	4	4	-	-	-
0-E	Consultoría Administrativa Profesional S.A. de C.V.	Mexico	MXN	210	-	-	-	-	210	210	-	-	-
78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	12	-	-	-	-	12	12	-	-	-
	Total			1,338,746	11,215	-	-	-	1,349,961	1,349,961			
	Total consolidated			1,891,289	1,014,552	3,246,203	1,706,312	2,780,822	10,639,178	9,341,682			

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 2017, the Company had delivered US$ 16.4 million in guarantees for derivative margins, corresponding to cash and standby letters of credit. As of December 31, 2018, US$ 5.0 million were delivered in guarantees corresponding to cash and standby letters of credit. The decrease was due to: i) the expiration of hedge contracts, ii) the acquisition of new fuel contracts, and iii) changes in fuel prices, changes in exchange rates and interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to comply with the restrictions of minimum equity and (ii) to maintain an optimal capital structure.

The Company monitors its contractual obligations and the regulatory limitations in the different countries where the entities of the group are domiciled to assure they meet the limit of minimum net equity, where the most restrictive limitation is to maintain a positive net equity.

Additionally, the Company periodically monitors the short and long term cash flow projections to assure the Company has adequate sources of funding to generate the cash requirement to face its investment and funding future commitments.

The Company international credit rating is the consequence of the Company capacity to face its long terms financing commitments. As of December 31, 2018 the Company has an international long term credit rating of BB- with stable outlook by Standard & Poor's, a B+ rating with positive outlook by Fitch Ratings and a Ba3 rating with stable outlook by Moody's.

3.3. Estimates of fair value.

At December 31, 2018, 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)
- Private investment funds.

The Company has classified the fair value measurement using a hierarchy that reflects the level of information used in the assessment. This hierarchy consists of 3 levels (I) fair value based on quoted prices in active markets for identical assets or liabilities, (II) fair value calculated through valuation methods based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and (III) fair value based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets, such as investments acquired for trading, is based on quoted market prices at the close of the period using the current price of the buyer. The fair value of financial assets not traded in active markets (derivative contracts) is determined using valuation techniques that maximize use of available market information. Valuation techniques generally used by the Company are quoted market prices of similar instruments and / or estimating the present value of future cash flows using forward price curves of the market at period end.

The following table shows the classification of financial instruments at fair value, depending on the level of information used in the assessment:

	As of December 31, 2018				As of December 31, 2017			
		Fair value measurements using values considered as				Fair value measurements using values considered as		
	Fair value ThUS$	Level I ThUS$	Level II ThUS$	Level III ThUS$	Fair value ThUS$	Level I ThUS$	Level II ThUS$	Level III ThUS$
Assets								
Cash and cash equivalents	43,653	43,653	-	-	29,658	29,658	-	-
Short-term mutual funds	43,653	43,653	-	-	29,658	29,658	-	-
Other financial assets, current	366,573	343,218	23,355	-	536,001	473,653	62,348	-
Fair value interest rate derivatives	19,460	-	19,460	-	3,113	-	3,113	-
Fair value of fuel derivatives	-	-	-	-	10,711	-	10,711	-
Fair value of foreign currency derivative	3,895	-	3,895	-	48,322	-	48,322	-
Accrued interest since the last payment date Swap of currencies	-	-	-	-	202	-	202	-
Derivative not recognized as a hedge	19,396	19,396	-	-	-	-	-	-
Private investment funds	322,428	322,428	-	-	472,232	472,232	-	-
Domestic and foreign bonds	1,394	1,394	-	-	1,421	1,421	-	-
Other financial assets, not current	-	-	-	-	519	-	519	-
Fair value derived from foreign currency	-	-	-	-	519	-	519	-
Liabilities								
Other financial liabilities, current	33,633	7,712	25,921	-	12,200	-	12,200	-
Fair value of interest rate derivatives	335	-	335	-	8,919	-	8,919	-
Fair value of fuel derivatives	15,678	-	15,678	-	-	-	-	-
Fair value of foreign currency derivatives	7,587	-	7,587	-	2,092	-	2,092	-
Interest accrued since the last payment date of Currency Swap	2,321	-	2,321	-	1,189	-	1,189	-
Derivative not recognized as a hedge	7,712	7,712	-	-	-	-	-	-
Other financial liabilities, non current	340	-	340	-	2,617	-	2,617	-
Fair value of interest rate derivatives	-	-	-	-	2,617	-	2,617	-
Interest accrued since the last date of Swap interest rates	340	-	340	-	-	-	-	-

Additionally, at December 31, 2018, 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, 2018		As of December 31, 2017	
	Book value	Fair value	Book value	Fair value
	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	1,037,989	1,037,989	1,112,346	1,112,346
Cash on hand	8,974	8,974	8,562	8,562
Bank balance	331,218	331,218	330,430	330,430
Overnight	282,164	282,164	239,292	239,292
Time deposits	415,633	415,633	534,062	534,062
Other financial assets, current	17,411	17,411	23,918	23,918
Other financial assets	17,411	17,411	23,918	23,918
Trade debtors, other accounts receivable and Current accounts receivable	1,162,582	1,162,582	1,214,050	1,214,050
Accounts receivable from entities related, current	2,931	2,931	2,582	2,582
Other financial assets, not current	58,700	58,700	87,571	87,571
Accounts receivable, non-current	5,381	5,381	6,891	6,891
Other current financial liabilities	1,397,156	1,578,835	1,288,749	1,499,495
Accounts payable for trade and other accounts payable, current	1,674,303	1,674,303	1,695,202	1,695,202
Accounts payable to entities related, current	382	382	760	760
Other financial liabilities, not current	5,864,570	5,893,387	6,602,891	6,738,872
Accounts payable, not current	483,656	483,656	498,832	498,832

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 (Level II). 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 record some of the assets, liabilities, income, expenses and commitments. Basically these estimates refer to:

(a) Evaluation of possible losses due to impairment of goodwill and intangible assets with indefinite useful life

As of December 31, 2018, goodwill amount to ThUS$ 2,294,072 (ThUS$ 2,672,550 as of December 31, 2017), while the intangible assets comprise the Airport Slots for ThUS$ 828,969 (ThUS$ 964,513 as of December 31, 2017) and Loyalty Program for ThUS$ 274,420 (ThUS$ 321,440 as of December 31, 2017).

The Company checks at least once a year whether goodwill and intangible assets with an indefinite useful life have suffered an impairment loss. For this evaluation, the Company has identified two cash generating units (CGU), "Air transport" and "Multiplus coalition and loyalty program". The book value of the surplus value assigned to each CGU as of December 31, 2018 amounts to ThUS$ 1,845,136 and ThUS$ 448,936 (ThUS$ $ 2,146,692 and ThUS$ 525,858 as of December 31, 2017), which include the following intangible assets with an indefinite useful life:

	Air Transport CGU		Coalition and loyalty Program Multiplus CGU	
	As of December 31 2018	As of December 31, 2017	As of December 31 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$
Airport Slots	828,969	964,513	-	-
Loyalty program	-	-	274,420	321,440

The recoverable value of these cash-generating units (CGUs) has been determined based on calculations of their value in use. The principal assumptions used by the management include: growth rate, exchange rate, discount rate, fuel prices, and other economic assumptions. The estimation of these assumptions requires significant judgment by the management, as these variables feature inherent uncertainty; however, the assumptions used are consistent with Company's internal planning. Therefore, management evaluates and updates the estimates on an annual basis, in light of conditions that affect these variables. The mainly assumptions used as well as, the corresponding sensitivity analyses are showed in Note 16.

(b) Useful life, residual value, and impairment of property, plant, and equipment

The depreciation of assets is calculated based on the linear model, except for certain technical components depreciated on cycles and hours flown. These useful lives are reviewed on an annual basis according with the Company's future economic benefits associated with them.

Changes in circumstances such as: technological advances, business model, planned use of assets or capital strategy may render the useful life different to the lifespan estimated. When it is determined that the useful life of property, plant, and equipment must be reduced, as may occur in line with changes in planned usage of assets, the difference between the net book value and estimated recoverable value is depreciated, in accordance with the revised remaining useful life.
Residual values are estimated in accordance with the market value that these assets will have at the end of their useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, once a year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

(c) Recoverability of deferred tax assets

Deferred taxes are calculated according to the liability method, on the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets on tax losses are recognized to the extent that it is probable that future tax benefits will be available with which to offset the temporary differences. The Company makes financial and fiscal projections to evaluate the realization in time of this deferred tax asset. Additionally, it ensures that these projections are consistent with those used to measure other long-lived assets.

As of December 31, 2018, the Company has recognized deferred tax assets of ThUS$ 273,327 (ThUS$ 364,021 as of December 31, 2017) and has ceased to recognize deferred tax assets on tax losses of ThUS$ 137,761 (ThUS$ 81,155 December 31, 2017) (Note 18).

(d) Air tickets sold that will not be finally used.

The Company records the advance sale of air tickets as deferred revenue. Revenue from the sale of tickets is recognized in the income statement when the passenger transport service is provided or expired due to non-use. The Company evaluates in a monthly basis the probability of expiration of air tickets, with refund clauses, based on the history of use of air tickets. A change in this probability could have an impact on ordinary income in the year in which the change occurs and in future periods. As of December 31, 2018, deferred revenues associated with air tickets sold amounted to ThUS$ 1,299,304 (ThUS$ 1,550,447 as of December 31, 2017). A hypothetical change of one percentage point in passenger behavior with respect to use would result in an impact of up to ThUS $ 6,000 per month.

(e) Valuation of miles and points awarded to holders of loyalty programs, pending use.

As of December 31, 2018, the deferred revenue associated with the LATAM Pass loyalty program amounts to ThUS$ 1,324,635 (ThUS$ 853,505 as of December 31, 2017). A hypothetical change of one percentage point in the exchange probability would result in an impact of ThUS$ 26,726 on the results of 2018 (ThUS $ 25,000 in 2017). The deferred revenues associated with the LATAM Fidelidade and Multiplus loyalty programs amount to ThUS$ 293,831 as of December 31, 2018 (ThUS$ 364,866 as of December 31, 2017). A hypothetical change of two percentage points in the number of points pending to be exchanged would result in an impact of ThUS$ 13,140 on the results of 2018 (ThUS$ 11,187 in 2017).

(f) Provisions needs, and their valuation when required

Known contingencies are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Company applies professional judgment, experience, and knowledge to use available information to determine these values, in light of the specific characteristics of known risks. This process facilitates the early assessment and valuation of potential risks in individual cases or in the development of contingent eventualities.

(g) Consumer Price Index

For the calculation of the hyperinflation adjustment of companies with functional Argentine Peso, the company uses the index calculated by the Argentine Federation of Professional Councils of Economic Sciences resulting from combining the National Consumer Price Index ("CPI") published by the National Institute of Statistics and Censuses of the Argentine Republic ("INDEC") (base month: December 2016) with the IPIM published by the FACPCE.

For hyperinflation application on balances as of December 31, 2017, depending on the age of the non-monetary assets and liabilities, the index used were the following:

Year	2004	2005	2014	2015	2016	2017
Index	240.23	266.3	841.66	986.04	1,327.09	1,656.15

For the hyperinflation adjustment of the 2018 items, the following index were used:

Month	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Index	1,685.25	1,726.02	1,766.42	1,814.81	1,852.47	1,921.69	1,981.30	2,058.36	2,192.86	2,311.09	2,383.96

The consolidated effects of IAS 29 adjustment on the balances as of January 1, 2018 were as follows:

	ThUS$
Assets	5,129
Liabilities	377
Retained earings	4,752

The effect of inflation on the Company's net monetary position in the consolidated income statements for the year ended December 31, 2018 were as follows:

	ThUS$
Assets	1,379
Liabilities	(2,005)
Loss	(626)

(h) Investment in subsidiary (TAM)

The management has applied its judgment in determining that LATAM Airlines Group S.A. controls TAM S.A. and Subsidiaries, for accounting purposes, and has therefore consolidated the financial statements.

The grounds for this decision are that LATAM issued ordinary shares in exchange for the majority of circulating ordinary and preferential shares in TAM, except for those TAM shareholders who did not accept the exchange, which were subject to a squeeze out, entitling LATAM to substantially all economic benefits generated by the LATAM Group, and thus exposing it to substantially all risks relating to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the controlling shareholders of TAM, thus insuring that the shareholders and directors of TAM shall have no incentive to exercise their rights in a manner that would be beneficial to TAM but detrimental to LATAM. Furthermore, all significant actions necessary of the operation of the airlines require votes in favor by the controlling shareholders of both LATAM and TAM.

Since the integration of LAN and TAM operations, the most critical airline operations in Brazil have been managed by the CEO of TAM while global activities have been managed by the CEO of LATAM, who is in charge of the operation of the LATAM Group as a whole and reports to the LATAM Board.

The CEO of LATAM also evaluates the performance of LATAM Group executives and, together with the LATAM Board, determines compensation. Although Brazilian law currently imposes restrictions on the percentages of voting rights that may be held by foreign investors, LATAM believes that the economic basis of these agreements meets the requirements of accounting standards in force, and that the consolidation of the operations of LAN and LATAM is appropriate.

These estimates were made based on the best information available relating to the matters analyzed.

In any case, it is possible that events that may take place in the future could lead to their modification in future reporting periods, which would be made in a prospective manner.

NOTE 5 - SEGMENTAL INFORMATION

The Company considers that it has two operating segments: air transport and the Multiplus loyalty and coalition program.

The air transport segment corresponds to the route network for air transport and is based on the way in which the business is managed according to the centralized nature of its operations, the ability to open and close routes, as well as reallocating resources (aircraft, crew, personnel, etc.) within the network, which implies a functional interrelation between them, making them inseparable. This segment definition is one of the most common at the level of the airline industry worldwide.

The Multiplus Coalition and Loyalty Program segment, unlike the LATAM Pass and LATAM Fidelidade programs, which are frequent flyer programs that operate as a unilateral loyalty system, offers a flexible, interrelated coalition system among its members, which has 22.2 million members, together with being an entity with a separate administration and a business not directly related to air transport.

For the year ended	Air transportation At December 31,		Coalition and loyalty program Multiplus At December 31,		Eliminations At December 31,		Consolidated At December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Income from ordinary activities from external customers (*)	9,887,090	9,159,031	60,020	454,876	(51,654)	-	9,895,456	9,613,907
Passenger	8,700,622	8,039,601	60,020	454,876	(51,654)	-	8,708,988	8,494,477
Freight	1,186,468	1,119,430	-	-	-	-	1,186,468	1,119,430
Income from ordinary activities from transactions with other operating segments	-	454,876	-	67,554	-	(522,430)	-	-
Other operating income	346,315	308,937	126,443	240,952	-	-	472,758	549,889
Interest income	27,181	28,184	26,072	50,511		-	53,253	78,695
Interest expense	(356,269)	(393,286)	-	-		-	(356,269)	(393,286)
Total net interest expense	(329,088)	(365,102)	26,072	50,511	-	-	(303,016)	(314,591)
Depreciation and amortization	(974,827)	(994,416)	(6,819)	(7,209)	-	-	(981,646)	(1,001,625)
Material non-cash items other than depreciation and amortization	(223,677)	(75,479)	(85)	(145)	-	-	(223,762)	(75,624)
Disposal of fixed assets and inventory losses	(46,351)	(39,238)	-	-	-	-	(46,351)	(39,238)
Doubtful accounts	(18,741)	(18,272)	(96)	(144)	-	-	(18,837)	(18,416)
Exchange differences	(157,720)	(18,717)	11	(1)	-	-	(157,709)	(18,718)
Result of indexation units	(865)	748	-	-	-	-	(865)	748
Income (loss) atributable to owners of the parents (**)	72,333	(3,482)	109,602	158,783	-	-	181,935	155,301
Participation of the entity in the income of associates	-	-	-	-	-	-	-	-
Expenses for income tax	(36,506)	(104,376)	(47,276)	(69,128)	-	-	(83,782)	(173,504)
Segment profit / (loss)	103,645	41,931	109,602	158,783	-	-	213,247	200,714
Assets of segment	16,431,182	17,430,937	1,145,942	1,373,049	(10,347)	(6,014)	17,566,777	18,797,972
Segment liabilities	13,394,785	14,007,916	449,347	563,849	(24,131)	(41,029)	13,820,001	14,530,736
Amount of non-current asset additions	763,878	412,846	-	-	-	-	763,878	412,846
Property, plant and equipment	668,786	325,513	-	-	-	-	668,786	325,513
Intangibles other than goodwill	95,092	87,333	-	-	-	-	95,092	87,333
Purchase of non-monetary assets of segment	756,913	490,983	-	-	-	-	756,913	490,983

(*) The Company does not have any interest revenue that should be recognized as income from ordinary activities by interest.

(**) The result of the Company includes a net result of ThUS$ (10,489) resulting from the application of IAS 21 and IAS 29, for the subsidiaries that are in hyperinflationary economies.

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For the year ended	Air transportation At December 31,		Coalition and loyalty program Multiplus At December 31,		Eliminations At December 31,		Consolidated At December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Net cash flows from								
Purchases of property, plant and equipment	660,631	403,282	76	384	-	-	660,707	403,666
Additions associated with maintenance	375,634	218,537	-	-	-	-	375,634	218,537
Other additions	284,997	184,745	76	384	-	-	285,073	185,129
Purchases of intangible assets (***)	85,628	79,102	10,578	8,216	-	-	96,206	87,318
Net cash flows from (used in) operating activities	1,394,146	1,489,797	111,161	186,367	11,623	(9,424)	1,516,930	1,666,740
Net cash flow from (used in) investing activities	(348,348)	(278,790)	(10,022)	(8,632)	-	-	(358,370)	(287,422)
Net cash flows from (used in) financing activities	(956,510)	(1,010,705)	(95,699)	(168,383)	-	-	(1,052,209)	(1,179,088)

(***)The Company does not have cash flows from purchases of intangible assets associated with maintenance.

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

	For the year ended At December 31, 2018	2017
	ThUS$	ThUS$
Peru	705,133	626,316
Argentina	989,883	1,113,467
U.S.A.	985,919	900,413
Europe	782,197	676,282
Colombia	372,794	359,276
Brazil	3,433,877	3,436,402
Ecuador	203,842	190,268
Chile	1,591,313	1,527,158
Asia Pacific and rest of Latin America	830,498	784,325
Income from ordinary activities	9,895,456	9,613,907
Other operating income	472,758	549,889

The Company allocates revenues by geographic area based on the point of sale of the passenger ticket or cargo. Assets are composed primarily of aircraft and aeronautical equipment, which are used throughout the different countries, so it is not possible to assign a geographic area.

The Company has no customers that individually represent more than 10% of sales.

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Cash on hand	8,974	8,562
Bank balances	331,218	330,430
Overnight	282,164	239,292
Total Cash	622,356	578,284
Cash equivalents		
Time deposits	415,633	534,062
Mutual funds	43,653	29,658
Total cash equivalents	459,286	563,720
Total cash and cash equivalents	1,081,642	1,142,004

Cash and cash equivalents are denominated in the following currencies:

Currency	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Argentine peso	17,786	12,135
Brazilian real	131,760	106,499
Chilean peso	415,713	81,845
Colombian peso	10,843	7,264
Euro	20,339	11,746
US Dollar	394,215	882,114
Other currencies	90,986	40,401
Total	1,081,642	1,142,004

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of December 31, 2018

Assets	Measured at amortized cost	At fair value with changes in results	Hedge derivatives	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	1,037,989	43,653	-	1,081,642
Other financial assets, current (*)	16,203	344,426	23,355	383,984
Trade and others accounts receivable, current	1,162,582	-	-	1,162,582
Accounts receivable from related entities, current	2,931	-	-	2,931
Other financial assets, non current (*)	58,700	-	-	58,700
Accounts receivable, non current	5,381	-	-	5,381
Total	2,283,786	388,079	23,355	2,695,220

Liabilities	Measured at amortized cost	Hedge derivatives	Total
	ThUS$	ThUS$	ThUS$
Other liabilities, current	1,404,868	25,921	1,430,789
Trade and others accounts payable, current	1,674,303	-	1,674,303
Accounts payable to related entities, current	382	-	382
Other financial liabilities, non-current	5,864,570	340	5,864,910
Accounts payable, non-current	483,656	-	483,656
Total	9,427,779	26,261	9,454,040

(*) The value presented in designated at the initial moment at fair value with changes in results, corresponds mainly to private investment funds, and in loans and accounts receivable, corresponds to guarantees delivered.

As of December 31, 2017

Assets	Loans and receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	1,112,346	-	-	29,658	1,142,004
Other financial assets, current (*)	23,918	62,348	1,421	472,232	559,919
Trade and others accounts receivable, current	1,214,050	-	-	-	1,214,050
Accounts receivable from related entities, current	2,582	-	-	-	2,582
Other financial assets, non current (*)	87,077	519	494	-	88,090
Accounts receivable, non current	6,891	-	-	-	6,891
Total	2,446,864	62,867	1,915	501,890	3,013,536

Liabilities	Other financial liabilities	Held Hedge derivatives	Total
	ThUS$	ThUS$	ThUS$
Other liabilities, current	1,288,749	12,200	1,300,949
Trade and others accounts payable, current	1,695,202	-	1,695,202
Accounts payable to related entities, current	760	-	760
Other financial liabilities, non-current	6,602,891	2,617	6,605,508
Accounts payable, non-current	498,832	-	498,832
Total	10,086,434	14,817	10,101,251

(*) 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 December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Cash and cash equivalents	1,081,642	1,142,004
Argentine peso	17,786	12,135
Brazilian real	131,760	106,499
Chilean peso	415,713	81,845
Colombian peso	10,843	7,264
Euro	20,339	11,746
US Dollar	394,215	882,114
Other currencies	90,986	40,401
Other financial assets (current and non-current)	442,684	648,009
Argentine peso	152	297
Brazilian real	327,110	475,810
Chilean peso	25,972	26,679
Colombian peso	1,748	1,928
Euro	7,438	7,853
US Dollar	78,121	133,431
Other currencies	2,143	2,011
Trade and other accounts receivable, current	1,162,582	1,214,050
Argentine peso	82,893	49,958
Brazilian real	511,171	635,890
Chilean peso	113,168	83,415
Colombian peso	7,259	3,249
Euro	49,044	48,286
US Dollar	110,312	257,324
Other currencies (*)	288,735	135,928
Accounts receivable, non-current	5,381	6,891
Brazilian real	3	4
Chilean peso	5,378	6,887
Accounts receivable from related entities, current	2,931	2,582
Brazilian real	293	2
Chilean peso	200	735
US Dollar	2,438	1,845
Total assets	2,695,220	3,013,536
Argentine peso	100,831	62,390
Brazilian real	970,337	1,218,205
Chilean peso	560,431	199,561
Colombian peso	19,850	12,441
Euro	76,821	67,885
US Dollar	585,086	1,274,714
Other currencies	381,864	178,340

(*) 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 December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Trade accounts receivable	1,077,561	1,175,796
Other accounts receivable	188,393	133,054
Total trade and other accounts receivable	1,265,954	1,308,850
Less: Allowance for impairment loss	(97,991)	(87,909)
Total net trade and accounts receivable	1,167,963	1,220,941
Less: non-current portion – accounts receivable	(5,381)	(6,891)
Trade and other accounts receivable, current	1,162,582	1,214,050

The fair value of trade and other accounts receivable does not differ significantly from the book value.

The maturity of the portfolio as of December 31, 2017 is as follows:

Up to date	1,040,671
Matured accounts receivable, but not impaired	
Expired from 1 to 90 days	34,153
Expired from 91 to 180 days	10,141
More than 180 days overdue (*)	2,922
Total matured accounts receivable, but not impaired	47,216
Matured accounts receivable and impaired	
Judicial, pre-judicial collection and protested documents	43,175
Debtor under pre-judicial collection process and portfolio sensitization	44,734
Total matured accounts receivable and impaired	87,909
Total	1,175,796

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

As of December 31, 2018, in order to determine the expected credit losses, the company groups accounts receivable for passenger and cargo transportation; depending on the characteristics of shared credit risk and maturity.

	Portfolio maturity					
	Up to date	from 1 to 90 days	from 91 to 180 days	from 181 to 360 days	more of 360 days	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Expected loss rate (1)	3%	5%	45%	65%	76%	9%
Gross book value (2)	888,930	91,387	11,085	15,078	71,081	1,077,561
Impairment loss provision	(23,933)	(5,014)	(4,983)	(9,864)	(54,197)	(97,991)

(1) Corresponds to the expected average rate.
(2) the gross book value represents the maximum growth risk value of trade accounts receivable.

Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable are the following:

Currency	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Argentine Peso	82,893	49,958
Brazilian Real	511,174	635,894
Chilean Peso	118,546	90,302
Colombian peso	7,259	3,249
Euro	49,044	48,286
US Dollar	110,312	257,324
Other currency (*)	288,735	135,928
Total	1,167,963	1,220,941
(*) Other currencies		
Australian Dollar	100,733	40,303
Chinese Yuan	5,106	37
Danish Krone	475	197
Pound Sterling	18,129	5,068
Indian Rupee	7,163	3,277
Japanese Yen	56,589	18,756
Norwegian Kroner	283	133
Swiss Franc	5,046	2,430
Korean Won	31,381	18,225
New Taiwanese Dollar	6,180	2,983
Other currencies	57,650	44,519
Total	288,735	135,928

The movements of the provision for impairment losses of the Trade Debtors and other accounts receivable are as follows:

Periods	Opening balance ThUS$	Adoption adjustment IFRS 9 (*) ThUS$	Write-offs ThUS$	(Increase) Decrease ThUS$	Closing balance ThUS$
From January 1 to December 31, 2017	(77,054)	-	8,249	(19,104)	(87,909)
From January 1 to December 31, 2018	(87,909)	(10,524)	8,620	(8,178)	(97,991)

(*) Adjustment to the balance as of December 31, 2017 registered in retained earnings as of 01.01.2018 for the adoption of IFRS 9.

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.

The historical and current renegotiations are not very relevant and the policy is to analyze case by case to classify them according to the existence of risk, determining if their reclassification corresponds to pre-judicial collection accounts.

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, 2018			As of December 31, 2017		
	Gross exposure according to balance ThUS$	Gross impaired exposure ThUS$	Exposure net of risk concentrations ThUS$	Gross exposure according to balance ThUS$	Gross Impaired exposure ThUS$	Exposure net of risk concentrations ThUS$
Trade accounts receivable	1,077,561	(97,991)	979,570	1,175,796	(87,909)	1,087,887
Other accounts receivable	188,393	-	188,393	133,054	-	133,054

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 December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Foreign	Qatar Airways	Indirect shareholder	Qatar	US$	1,907	1,845
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	988	728
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Common shareholder	Brazil	BRL	-	2
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	CLP	31	5
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	CLP	5	2
	Total current assets				2,931	2,582

(b) Accounts payable

Tax No.	Related party	Relationship	Country of origin	Currency	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	365	546
Foreign	Inversora Aeronáutica Argentina S.A.	Related director	Argentina	US$	15	4
Foreign	Consultoría Administrativa Profesional S.A. de C.V.	Related company	México	MXN	-	210
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Common shareholder	Brazil	BRL	2	-
	Total current liabilities				382	760

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

The composition of Inventories is as follows:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Technical stock	233,276	195,530
Non-technical stock	46,068	41,136
Total	279,344	236,666

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, as per the following detail:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Provision for obsolescence Technical stock	20,500	21,839
Provision for obsolescenceNon-technical stock	4,621	6,488
Total	25,121	28,327

The resulting amounts do not exceed the respective net realization values.

As of December 31, 2018, the Company recorded ThUS$ 120,214 (ThUS$ 155,421 as of December 31, 2017) in results, mainly related to on-board consumption and maintenance, which is part of the Cost of sales.

NOTE 11 - OTHER FINANCIAL ASSETS

The composition of other financial assets is as follows:

	Current Assets		Non-current assets		Total Assets	
	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
(a) Other financial assets						
Private investment funds	322,428	472,232	-	-	322,428	472,232
Deposits in guarantee (aircraft)	9,610	15,690	37,636	41,058	47,246	56,748
Guarantees for margins of derivatives	661	2,197	-	-	661	2,197
Other investments	-	-	494	494	494	494
Domestic and foreign bonds	1,394	1,421	-	-	1,394	1,421
Other guarantees given	7,140	6,031	20,570	46,019	27,710	52,050
Subtotal of other financial assets	341,233	497,571	58,700	87,571	399,933	585,142
(b) Hedging assets						
Interest accrued since the last payment date of Cross currency swap	-	202	-	-	-	202
Fair value of interest rate derivatives	19,460	3,113	-	-	19,460	3,113
Fair value of foreign currency derivatives	3,895	48,322	-	519	3,895	48,841
Fair value of fuel price derivatives	-	10,711	-	-	-	10,711
Subtotal of hedging assets	23,355	62,348	-	519	23,355	62,867
(c) Derivatives not recognized as a hedge						
Foreign currency derivatives not recognized as a hedge	19,396	-	-	-	19,396	-
Subtotal of derivatives not recognized as a hedge	19,396	-	-	-	19,396	-
Total Other Financial Assets	383,984	559,919	58,700	88,090	442,684	648,009

The different derivative hedging contracts maintained by the Company at the end of each period are described in Note 19.

NOTE 12 - OTHER NON-FINANCIAL ASSETS

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

	Current assets		Non-current assets		Total Assets	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
(a) Advance payments						
Aircraft leases	31,284	31,322	9,687	4,718	40,971	36,040
Aircraft insurance and other	16,483	17,681	-	-	16,483	17,681
Others	19,322	10,012	973	1,186	20,295	11,198
Subtotal advance payments	67,089	59,015	10,660	5,904	77,749	64,919
(b) Contract assets (1)						
GDS costs	14,708	-	-	-	14,708	-
Credit card commissions	21,614	-	-	-	21,614	-
Travel agencies commissions	12,635	-	-	-	12,635	-
Subtotal advance payments	48,957	-	-	-	48,957	-
(c) Other assets						
Aircraft maintenance reserve (2)	831	21,505	51,836	51,836	52,667	73,341
Sales tax	187,410	137,866	38,186	37,959	225,596	175,825
Other taxes	15,255	2,475	-	-	15,255	2,475
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	258	327	739	670	997	997
Judicial deposits	-	-	132,267	124,438	132,267	124,438
Others	1,177	-	53	-	1,230	-
Subtotal other assets	204,931	162,173	223,081	214,903	428,012	377,076
Total Other Non - Financial Assets	320,977	221,188	233,741	220,807	554,718	441,995

(1) Movement of Contracts assets:

	Contracts assets
	ThUS$
Initial balance as of January 1, 2018	-
Activation	180,171
Adjustments by the application of IFRS 15	54,361
Difference by conversion	(5,020)
Amortization	(180,555)
Final balance as of December 31, 2018	48,957

(2) 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 paid 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 (five 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. The cost of aircraft maintenance in the last years has been higher than the related maintenance reserves for all aircraft.

As of December 31, 2018, maintenance reserves amount to ThUS$ 52,667 (ThUS$ 73,341 as of December 31, 2017), corresponding to 9 aircraft that maintain remaining balances, which will be settled in the next maintenance or return.

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 - NON-CURRENT ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Non-current assets and groups in expropriation held for sale at December 31, 2018 and December 31, 2017, are detailed below:

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Current assets		
Aircraft	265	236,022
Engines and rotables	5,299	9,197
Other assets	204	45,884
Total	5,768	291,103
Current liabilities		
Other liabilities	-	15,546
Total	-	15,546

The balances are presented at the lower of book value and fair value less cost to sell. The fair value of these assets was determined based on quoted prices in active markets for similar assets or liabilities. This is a level II measurement as per the fair value hierarchy set out in note 3.3 (2). There were no transfers between levels for recurring fair value measurements during the year.

(a) Assets reclassified from Property, plant and equipment to Non-current assets or groups of assets for disposal classified as held for sale

During fiscal year 2017, adjustments were recognized for US$ 17.4 million to register these assets at their net realizable value.

Additionally, during the same period 2017, the sale of seven Airbus A330 spare engines occurred.

During the 2018 period, an engine spare Boeing 767 was transferred from the property, plant and equipment and adjustments for US$ 2.3 million were recognized to record these assets at their net realizable value.

In addition, during the 2018 period, two Boeing 777 aircraft were sold, an Airbus A330 aircraft, an a Airbus A330 spare engine were sold and an Airbus A320 aircraft was transferred from the property, plant and equipment.

The detail of fleet classified as non-current assets or groups of assets for disposal classified as held for sale is the following:

Aircraft	As of December 31, 2018	As of December 31, 2017
Boeing 777 Freighter	-	2 (*)
Airbus A330-200	-	1
Airbus A320-200	-	1
ATR42-300	1	1
Total	1	5

(*) One aircraft leased to DHL.

(b) Assets reclassified from Inventories to Non-current assets or groups of assets for disposal classified as held for sale

During in the first quarter of 2017, technical stocks of the fleet Airbus A330, were reclassified from Inventories to Non-current assets or groups of assets for disposal classified as held for sale.

During fiscal year 2017, an adjustment of US $ 1.3 million was recognized to record these assets at their net realizable value.

NOTE 14 - 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.

Detail of significant subsidiaries and summarized financial information:

			Ownership	
Name of significant subsidiary	Country of incorporation	Functional currency	As of December 31, 2018	As of December 31, 2017
			%	%
Lan Perú S.A.	Peru	US$	70.00000	70.00000
Lan Cargo S.A.	Chile	US$	99.89803	99.89803
Lan Argentina S.A.	Argentina	ARS	99.86560	99.86560
Transporte Aéreo S.A.	Chile	US$	100.00000	100.00000
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US$	100.00000	100.00000
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.19061	99.19061
TAM S.A.	Brazil	BRL	99.99938	99.99938

The consolidated subsidiaries do not have significant restrictions for transferring funds to controller.

Summary financial information of significant subsidiaries

	Statement of financial position as of December 31, 2018						Results for the year ended December 31, 2018	
Name of significant subsidiary	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.	417,767	379,490	38,277	407,570	406,157	1,413	1,161,205	1,652
Lan Cargo S.A.	511,275	243,499	267,776	334,498	292,153	42,345	269,783	(34,401)
Lan Argentina S.A.	243,173	235,919	7,254	239,127	236,702	2,425	254,069	(148,032)
Transporte Aéreo S.A.	330,777	72,597	258,180	128,428	27,440	100,988	304,084	(17,847)
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	106,487	96,564	9,923	95,860	89,819	6,041	234,169	(1,135)
Aerovías de Integración Regional, AIRES S.A.	116,118	55,865	60,253	77,746	69,149	8,597	291,827	(5,068)
TAM S.A. (*)	4,304,126	2,007,830	2,296,296	3,013,831	1,727,151	1,286,680	4,650,526	(12,538)

	Statement of financial position as of December 31, 2017						Results for the year ended December 31, 2017	
Name of significant subsidiary	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.	315,607	294,308	21,299	303,204	301,476	1,728	1,046,423	1,205
Lan Cargo S.A.	584,169	266,836	317,333	371,934	292,529	79,405	264,544	(30,220)
Lan Argentina S.A.	198,951	166,445	32,506	143,731	139,914	3,817	387,557	(41,636)
Transporte Aéreo S.A.	324,498	30,909	293,589	104,357	36,901	67,456	317,436	2,172
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	96,407	66,166	30,241	84,123	78,817	5,306	219,039	3,722
Aerovías de Integración Regional, AIRES S.A.	138,138	64,160	73,978	91,431	80,081	11,350	279,414	526
TAM S.A. (*)	4,490,714	1,843,822	2,646,892	3,555,423	2,052,633	1,502,790	4,621,338	160,582

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

(b) Non-controlling

Equity	Tax No.	Country of origin	As of December 31, 2018 %	As of December 31, 2017 %	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Lan Perú S.A	0-E	Peru	30.00000	30.00000	3,063	3,722
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10196	0.10196	(100)	849
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	0.00000	51.00000	-	4,578
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0.13940	0.13940	8,684	3,502
Lan Argentina S.A.	0-E	Argentina	0.02890	0.02842	(472)	79
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	1	1
Americonsult S.A. and Subsidiaries	0-E	Mexico	0.20000	0.20000	1	-
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	11	12
Linea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(462)	(520)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.79880	0.80944	378	461
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	1,740	1,324
Multiplus S.A.	0-E	Brazil	27.26000	27.26000	67,096	77,139
Total					79,940	91,147

Incomes	Tax No.	Country of origin	For the year ended December 31, 2018 %	December 31, 2017 %	For the year ended December 31, 2018 ThUS$	2017 ThUS$
Lan Perú S.A	0-E	Peru	30.00000	30.00000	1,012	360
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10196	0.10196	(395)	(4)
Promotora Aerea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	0.00000	51.00000	-	1,416
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0.13940	0.13940	183	117
Lan Argentina S.A.	0-E	Argentina	0.02890	0.02842	39	24
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	-	-
Americonsult S.A. and Subsidiaries	0-E	Mexico	0.20000	0.20000	2	-
Linea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	58	398
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.79880	0.80944	(41)	4
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	717	299
Multiplus S.A.	0-E	Brazil	27.26000	27.26000	29,737	42,796
Total					31,312	45,410

(*) On September 4, 2018, LATAM Airlines Brazil send a communication to Multiplus informing it that it intends to: (i) not renew or extend the contract of the operation when it expires; and (ii) make a public offer to acquire the shares of Multiplus that are not owned by it, in order to cancel the registration of Multiplus as a public limited company in the Comissão de Valores de Mobiliários of the Federative Republic of Brazil (CVM) and delist it from the Novo Mercado de B3. This process is subject to the approval of the Brazilian securities regulator and the public offer for the acquisition of shares is successful.

NOTE 15 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

	Classes of intangible assets (net)		Classes of intangible assets (gross)	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$
Airport slots	828,969	964,513	828,969	964,513
Loyalty program	274,420	321,440	274,420	321,440
Computer software	156,038	160,970	529,009	509,377
Developing software	151,853	123,415	151,853	123,415
Trademarks (1)	29,361	46,909	53,391	62,539
Other assets	431	-	1,325	-
Total	1,441,072	1,617,247	1,838,967	1,981,284

Movement in Intangible assets other than goodwill:

	Computer software Net	Developing software	Airport slots (2)	Trademarks and loyalty program (1) (2)	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2017	157,016	91,053	978,849	383,395	1,610,313
Additions	8,453	78,880	-	-	87,333
Withdrawals	(244)	(684)	-	-	(928)
Transfer software	45,783	(45,580)	-	-	203
Foreing exchange	(1,215)	(254)	(14,336)	(5,459)	(21,264)
Amortization	(48,823)	-	-	(9,587)	(58,410)
Closing balance as of December 31, 2017	160,970	123,415	964,513	368,349	1,617,247
Opening balance as of January 1, 2018	160,970	123,415	964,513	368,349	1,617,247
Additions	792	94,300	-	-	95,092
Withdrawals	(403)	(124)	-	-	(527)
Transfer software	59,675	(61,087)	-	-	(1,412)
Foreing exchange	(10,136)	(4,651)	(135,544)	(53,521)	(203,852)
Amortization	(54,549)	-	-	(11,047)	(65,596)
Hyperinflation Argentina	62	-	-	-	62
Adjustment aplication IAS 29 by hyperinflation Argentina	58	-	-	-	58
Closing balance as of December 31, 2018	156,469	151,853	828,969	303,781	1,441,072

1) In 2016, the Company resolved to adopt a unique name and identity, and announced that the group's brand will be LATAM, which united all the companies under a single image.

The estimate of the new useful life is 5 years, equivalent to the period necessary to complete the change of image.

2) See Note 2.5

The amortization of each period is recognized in the consolidated income statement in the administrative expenses. The cumulative amortization of computer programs and brands as of December 31, 2018, amounts to ThUS $ 439,059 (ThUS $ 373,463 as of December 31, 2017).

NOTE 16 – GOODWILL

Goodwill as of December 31, 2018, amounts to ThUS $ 2,294,072 (ThUS $ 2,672,550 as of December 31, 2017). The goodwill movement, separated by CGU, includes the following:

Movement of Goodwill, separated by CGU:

	Air Transport	Coalition and loyalty program Multiplus	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2017	2,176,634	533,748	2,710,382
Increase (decrease) due to exchange rate differences	(29,942)	(7,890)	(37,832)
Closing balance as of December 31, 2017	2,146,692	525,858	2,672,550
Opening balance as of January 1, 2018	2,146,692	525,858	2,672,550
Increase (decrease) due to exchange rate differences	(300,203)	(76,922)	(377,125)
Adjustment IAS 29, hyperinflation Argentina	335	-	335
Others	(1,688)	-	(1,688)
Closing balance as of December 31, 2018	1,845,136	448,936	2,294,072

The Company has two cash- generating units (CGUs), “Air transportation” and, “Coalition and loyalty program Multiplus”. The CGU "Air transport" considers the transport of passengers and cargo, 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, while the CGU "Coalition and loyalty program Multiplus" works with an integrated network associated companies in Brazil.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of expected cash flows, 5 years after tax, which are based on the budget approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates, which do not exceed the average rates of long-term growth.

Management establish rates for annual growth, discount, inflation and exchange for each cash generating, as well as fuel prices, based on their key assumptions. The annual growth rate is based on past performance and management's expectations over market developments in each country where it operates. The discount rates used are in American Dollars for the CGU "Air transportation" and Brazilian Reals for CGU "Program coalition loyalty Multiplus", both after taxes and reflect specific risks related to each country where the Company operates. Inflation and exchange rates are based on available data for each country and the information provided by the Central Bank of each country, and the fuel price is determined based on estimated production levels, competitive environment market in which they operate and its business strategy.

As of December 31, 2018 the recoverable values were determined using the following assumptions presented below:

		Air transportation CGU	Coalition and loyalty program Multiplus CGU (2)
Annual growth rate (Terminal)	%	1.0 - 2.0	4.0 - 5.0
Exchange rate (1)	R$/US$	3.7 - 4.6	3.5 - 4.3
Discount rate based on the weighted average cost of capital (WACC)	%	8.07 - 10.07	
Discount rate based on cost of equity (CoE)	%	-	12.0 - 13.0
Fuel Price from futures price curves commodities markets	US$/barrel	75-80	

(1) In line with the expectations of the Central Bank of Brazil
(2) The flows, like the growth and discount rates, are denominated in reais.

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.

CGU´s are sensitive to rates for annual growth, discount and exchanges rates. The sensitivity analysis included the individual impact of changes in estimates critical in determining the recoverable amounts, namely:

	Increase Maximum WACC	Increase Maximum CoE	Decrease Minimum terminal growth rate
	%	%	%
Air transportation CGU	10.07	-	1.0
Coalition and loyalty program Multiplus CGU	-	13.00	4.0

In none of the previous cases impairment in the cash- generating unit was presented.

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

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

	Gross Book Value		Acumulated depreciation		Net Book Value	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Construction in progress (1)	630,320	556,822	-	-	630,320	556,822
Land	45,424	49,780	-	-	45,424	49,780
Buildings	179,907	190,552	(67,342)	(66,004)	112,565	124,548
Plant and equipment	8,371,990	9,222,540	(2,727,539)	(2,390,142)	5,644,451	6,832,398
Own aircraft (2)	7,732,238	8,544,185	(2,492,940)	(2,138,612)	5,239,298	6,405,573
Other (3)	639,752	678,355	(234,599)	(251,530)	405,153	426,825
Machinery	34,253	39,084	(27,659)	(29,296)	6,594	9,788
Information technology equipment	160,936	166,713	(138,372)	(136,557)	22,564	30,156
Fixed installations and accessories	182,629	186,989	(111,620)	(106,212)	71,009	80,777
Motor vehicles	69,653	70,290	(60,531)	(58,812)	9,122	11,478
Leasehold improvements	211,322	186,679	(128,055)	(102,454)	83,267	84,225
Other property, plants and equipment	4,961,847	3,640,838	(1,633,798)	(1,355,475)	3,328,049	2,285,363
Financial leasing aircraft (2)	4,862,985	3,551,041	(1,604,035)	(1,328,421)	3,258,950	2,222,620
Other	98,862	89,797	(29,763)	(27,054)	69,099	62,743
Total	14,848,281	14,310,287	(4,894,916)	(4,244,952)	9,953,365	10,065,335

(1) As of December 31, 2018, includes advances paid to aircraft manufacturers for ThUS$ 612,236 (ThUS$ 543,720 as of December 31, 2017)

(2) In the period ended December 31, 2018, the Company sold its participation in twenty special-purpose entities. As a result of this, 50 aircraft were reclassified from the category Plants and equipment to the category Other properties, plants and equipment.

(3) Consider mainly rotables and tools.

a) Movement in the different categories of Property, plant and equipment:

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Other property, plant and equipment net	Property, Plant and equipment net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2017	470,065	50,148	130,219	7,789,875	39,714	83,912	1,045	104,541	1,828,630	10,498,149
Additions	11,145	-	-	258,615	5,708	329	77	8,156	41,483	325,513
Disposals	-	-	-	(16,004)	(6)	(10)	(43)	-	(27)	(16,090)
Retirements	(127)	-	(6)	(24,341)	(473)	(497)	-	-	(1,610)	(27,054)
Depreciation expenses	-	-	(7,946)	(496,857)	(14,587)	(14,124)	(187)	(27,266)	(204,237)	(765,204)
	107	(368)	(275)	(4,603)	(183)	(820)	(8)	(243)	(5,113)	(11,506)
Other increases (decreases)	75,632	-	2,556	(653,457)	(17)	11,987	(448)	(963)	626,237	61,527
Changes, total	86,757	(368)	(5,671)	(936,647)	(9,558)	(3,135)	(609)	(20,316)	456,733	(432,814)
Closing balance as of December 31, 2017	556,822	49,780	124,548	6,853,228	30,156	80,777	436	84,225	2,285,363	10,065,335
Opening balance as of January 1, 2018	556,822	49,780	124,548	6,853,228	30,156	80,777	436	84,225	2,285,363	10,065,335
Additions	7,927	-	-	593,210	4,995	64	24	20,410	42,156	668,786
Disposals	-	(8)	(1,413)	(4,747)	(30)	(73)	(14)	-	-	(6,285)
Retirements	(80)	-	(19)	(63,711)	(94)	(27)	-	(4)	(62)	(63,997)
Depreciation expenses	-	-	(6,219)	(406,714)	(11,677)	(12,538)	(146)	(27,766)	(298,863)	(763,923)
Foreing exchange	(713)	(4,348)	(4,244)	(42,077)	(1,818)	(8,499)	(28)	(2,351)	(52,410)	(116,488)
Other increases (decreases)	65,991	-	(88)	(1,273,218)	733	10,194	273	8,753	1,351,559	164,197
Adjustment application IAS 29	265	-	-	3,053	264	1,018	65	-	275	4,940
Hyperinflation Argentina	108	-	-	509	35	93	24	-	31	800
Changes, total	73,498	(4,356)	(11,983)	(1,193,695)	(7,592)	(9,768)	198	(958)	1,042,686	(111,970)
Closing balance as of December 31, 2018	630,320	45,424	112,565	5,659,533	22,564	71,009	634	83,267	3,328,049	9,953,365

(b) Composition of the fleet:

Aircraft	Model	Aircraft included in Property, plant and equipment		Operating leases		Total fleet	
		As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
Boeing 767	300ER	33	34	2	2	35	36
Boeing 767	300F	9 (4)	8 (1)	1	2	10 (4)	10 (1)
Boeing 777	300ER	4	4	6	6	10	10
Boeing 777	200ER	-	-	2	-	2	-
Boeing 787	800	6	6	4	4	10	10
Boeing 787	900	4	4	10	10	14	14
Airbus A319	100	37	37	9	9	46	46
Airbus A320	200	97 (2)	93 (2)	34	38	131 (2)	131 (2)
Airbus A320	NEO	1	1	3	3	4	4
Airbus A321	200	30	30	19	17	49	47
Airbus A350	900	5 (3)	5 (3)	4 (3)	2 (3)	9 (3)	7 (3)
Total		226	222	94	93	320	315

(1) One aircraft leased to FEDEX as of December 2017; three aircraft as of December 2016.
(2) Three aircraft leased to Salam Air and two to Sundair
(3) Two aircraft leased to Qatar Air. One in operating lease and one in Properties, plant and equipment.
(4) One aircraft leased to Aerotransportes Mas de Carga S.A. de C.V. as of December 2018

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

	Method	Useful life (years) minimum	Useful life (years) 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	30
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. (*)	10	30

(*) Except in the case of the Boeing 767 300ER and Boeing 767 300F fleets that consider a lower residual value due to the extension of their useful life to 22 and 30 years respectively. Additionally, certain technical components are depreciated based on cycles and hours flown.

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.

As of December 31, 2018, the charge to income for the depreciation of the period, which is included in the consolidated statement of income, amounts to ThUS$ 763,923 (ThUS$ 765,204 as of

December 31, 2017). This charge is recognized in the cost of sales and administrative expenses of the consolidated statement of income.

(d) Additional information regarding Property, plant and equipment:

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

Description of Property, plant and equipment pledged as guarantee:

Guarantee agent (1)	Assets committed	Fleet	As of December 31, 2018 Existing Debt ThUS$	As of December 31, 2018 Book Value ThUS$	As of December 31, 2017 Existing Debt ThUS$	As of December 31, 2017 Book Value ThUS$
Wilmington	Aircraft and engines	Airbus A319	96,057	234,329	-	-
		Airbus A320	98,903	220,390	-	-
		Airbus A321 / A350	587,382	682,639	637,934	721,602
Trust Company		Boeing 767	82,793	206,868	593,655	888,948
		Boeing 787	672,065	736,858	720,267	842,127
Banco Santander S.A.	Aircraft and engines	Airbus A320	172,474	275,511	199,165	291,649
		Airbus A321	25,661	41,957	29,296	40,584
BNP Paribas	Aircraft and engines	Airbus A319	26,702	45,520	84,767	136,407
		Airbus A320	-	-	110,267	175,650
Credit Agricole	Aircraft and engines	Airbus A319	11,154	31,865	20,874	38,826
		Airbus A320	134,328	132,301	46,895	98,098
		Airbus A321	-	-	30,322	85,463
		Airbus A350	22,439	24,939	-	-
		Boeing 767	21,830	43,568	-	-
		Boeing 787	74,023	42,228	-	-
Wells Fargo	Aircraft and engines	Airbus A320	196,540	285,877	224,786	306,660
Bank of Utah	Aircraft and engines	Airbus A320 / A350	556,019	630,065	614,632	666,665
Natixis	Aircraft and engines	Airbus A320	-	-	34,592	72,388
		Airbus A321	324,524	410,771	378,418	481,397
Citibank N. A.	Aircraft and engines	Airbus A320	78,049	132,296	94,882	141,817
		Airbus A321	28,938	70,333	36,026	72,741
KfW IPEX-Bank	Aircraft and engines	Airbus A319	-	-	5,592	5,505
		Airbus A320	-	-	21,296	30,513
Airbus Financial Services	Aircraft and engines	Airbus A319	-	-	22,927	26,973
PK AirFinance US, Inc.	Aircraft and engines	Airbus A320	37,615	52,435	46,500	56,539
JP Morgan	Aircraft and engines	Boeing 777 (2)	-	-	169,674	216,000
Banco BBVA	Land and buildings (3)		50,785	64,500	55,801	66,876
Total direct guarantee			3,298,281	4,365,250	4,178,568	5,463,428

(1) For syndicated loans, is the Guarantee Agent that, represent different creditors.

(2) At December 31, 2017 these assets were classified on Non-current assets and groups in expropriation held for sale.

(3) Corresponds to a debt classified in item loans to exporters (see Note 19).

The amounts of the current debt are presented at their nominal value. The book value corresponds to the goods granted as collateral.

Additionally, there are indirect guarantees associated with assets registered in properties, plants and equipment whose total debt as of December 31, 2018, amounts to ThUS$ 1,633,504

(ThUS$ 1,087,052 as of December 31, 2017). The book value of the assets with indirect guarantees as of December 31, 2018, amounts to ThUS$ 3,258,950 (ThUS$ 2,222,620 as of December 31, 2017).

(ii) Commitments and others

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

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Gross book value of fully depreciated property, plant and equipment still in use	192,606	136,811
Commitments for the acquisition of aircraft (*)	14,400,000	15,400,000

(*) Acording to the manufacturer's price list.

Purchase commitment of aircraft

	Year of delivery					
Manufacturer	2019	2020	2021	2022	2023-2026	Total
Airbus S.A.S.	13	9	13	11	21	67
A320-NEO	9	5	6	5	7	32
A321-NEO	-	4	5	4	6	19
A350-1000	-	-	-	-	8	8
A350-900	4	-	2	2	-	8
The Boeing Company	2	2	2	-	4	10
Boeing 777-F	-	-	-	-	2	2
Boeing 787-9	2	2	2	-	2	8
Total	15	11	15	11	25	77

As of December 31, 2018, as a result of the different aircraft purchase contracts and agreements signed with Airbus SAS, there are remaining to receive 51 Airbus aircraft of the A320 family, with deliveries between 2018 and 2024, and 17 Airbus aircraft of the A350 family with dates delivery between 2018 and 2026. The approximate amount, according to manufacturer's list prices, is ThUS$ 11,500,000.

As of December 31, 2018, as a result of the different aircraft purchase contracts signed with The Boeing Company, there are remaining 8 Boeing 787 Dreamliner aircraft, with delivery dates between 2019 and 2023, and 2 Boeing 777-300 Freighter aircraft, with delivery scheduled for the year 2024. The approximate amount, according to manufacturer's list prices, is ThUS$ 2,900,000.

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

		For the year ended December 31,	
		2018	2017
Average rate of capitalization of capitalized interest costs	%	4.62	4,12
Costs of capitalized interest	ThUS$	15,398	8,210

(iv) Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft engines and rotables	Model	As of December 31, 2018	As of December 31, 2017
777 Components Leasing. LLC	Boeing 777	Rotables	1	-
Amendoeira Leasing Limited	Airbus A319	100	1	-
Angelim Leasing Limited	Airbus A319	100	1	-
Angelim Leasing Limited	Airbus A320	200	2	-
Angelim Leasing Limited	Airbus A321	200	2	-
Araucaria Leasing Limited	Airbus A320	200	1	-
Azalea Leasing Limited	Airbus A320	200	1	-
Bandurria Leasing Limited	Airbus A319	100	3	3
Bandurria Leasing Limited	Airbus A320	200	4	4
Becacina Leasing LLC	Boeing 767	300ER	1	1
Chucao Leasing Limited	Airbus A319	100	2	-
Caiquen Leasing LLC	Boeing 767	300F	-	1
Cisne Leasing LLC	Boeing 767	300ER	2	2
Conure Leasing Limited	Airbus A320	200	2	2
Figueira Leasing Limited	Airbus A320	200	1	-
Flamenco Leasing LLC	Boeing 767	300ER	1	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
Fragata Leasing LLC	Boeing 787	800	1	-
Garza Leasing LLC	Boeing 767	300ER	1	1
Golondrina Leasing LLC	Boeing 767	300ER	4	-
Imbuia Leasing Limited	Airbus A320	200	1	-
Jacarandá Leasing Limited	Airbus A320	200	1	-
Jatobá Leasing Limited	Airbus A319	100	1	-
Jilguero Leasing LLC	Boeing 767	300ER	3	3
Loica Leasing Limited	Airbus A319	100	2	2
Loica Leasing Limited	Airbus A320	200	2	2
Massaranduba Leasing Limited	Airbus A320	200	2	-
Massaranduba Leasing Limited	Airbus A321	200	3	-
Mirlo Leasing LLC	Boeing 767	300ER	1	1
Mogno Leasing Limited	Airbus A319	100	1	-
NBB Rio de Janeiro Lease CO and Brasilia Lease LLC (BBAM)	Airbus A320	200	1	1
NBB São Paulo Lease CO. Limited (BBAM)	Airbus A321	200	1	1
Osprey Leasing Limited	Airbus A319	100	-	8
Patagon Leasing Limited	Airbus A319	100	3	3
Petrel Leasing LLC	Boeing 767	300ER	-	1
Pau Brasil Leasing Limited	Airbus A319	100	1	-
Pochard Leasing LLC	Boeing 767	300ER	2	2
Quetro Leasing LLC	Boeing 767	300ER	-	3
Rolls Royce Leasing Limited	Motor	TRENTXWB	1	-
SG Infraestructure Italia S.R.L.	Boeing 777	300ER	1	1
Sibipiruna Leasing Limited	Airbus A320	200	2	-
SL Alcyone LTD (Showa)	Airbus A320	200	1	1
Tagua Leasing LLC	Boeing 767	300ER	9	-
Tiuque Leasing Limited	Airbus A319	100	1	-
Tiuque Leasing Limited	Airbus A320	200	5	-
Torcaza Leasing Limited	Airbus A320	200	8	8
Tricahue Leasing LLC	Boeing 767	300ER	3	3
Wacapou Leasing S.A	Airbus A320	200	1	1
Wells Fargo Trust Company, N.A.	Airbus A319	100	-	1
Ype Leasing Limited	Airbus A319	100	1	-
Total			92	60

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 aircrafts, perform maintenance on the aircrafts and update the airworthiness certificates at their own cost.

The assets acquired under the financial leasing modality are classified under Other property, plant and equipment. As of December 31, 2018, the Company registers under this modality ninety aircraft, one spare engine and rotables (sixty aircraft as of December 31, 2017).

The minimum payments under financial leases are as follows:

	As of December 31, 2018			As of December 31, 2017		
	Gross Value	Interest	Present Value	Gross Value	Interest	Present Value
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
No later than one year	442,030	(43,871)	398,159	303,863	(32,447)	271,416
Between one and five years	1,188,032	(50,610)	1,137,422	835,696	(30,050)	805,646
Over five years	116,955	(5,830)	111,125	36,788	(816)	35,972
Total	1,747,017	(100,311)	1,646,706	1,176,347	(63,313)	1,113,034

NOTE 18 - CURRENT AND DEFERRED TAXES

In the year ended December 31, 2018, the income tax provision was calculated for such period, applying the partially integrated taxation system and a rate of 27%, in accordance with the Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

The effect in the income statement for deferred tax corresponds to the variation of the year, of the assets and liabilities for deferred taxes generated by temporary differences and tax losses.

There are the permanent differences that give rise to an accounting value of the assets and liabilities other than their tax value, no deferred tax has been recorded since they are caused by transactions that are recorded in the financial statements and that will not affect the expense tax for income tax.

(a) Current taxes

(a.1) The composition of the current tax assets is the following:

	Current assets		Non-current assets		Total assets	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Provisional monthly payments (advances)	48,480	65,257	-	-	48,480	65,257
Other recoverable credits	20,654	12,730	757	17,532	21,411	30,262
Total assets by current tax	69,134	77,987	757	17,532	69,891	95,519

(a.2) The composition of the current tax liabilities are as follows:

	Current liabilities		Non-current liabilities		Total liabilities	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Income tax provision	3,738	3,511	-	-	3,738	3,511
Total liabilities by current tax	3,738	3,511	-	-	3,738	3,511

(b) Deferred taxes

The balances of deferred tax are the following:

	Assets		Liabilities	
Concept	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	225,967	210,855	1,225,199	1,401,277
Leased assets	(75,136)	(103,201)	508,128	275,142
Amortization	(983)	(484)	55,880	54,335
Provisions	(38,303)	(9,771)	(75,631)	690
Revaluation of financial instruments	445	(734)	458	(4,484)
Tax losses	170,980	290,973	(1,198,170)	(1,188,586)
Intangibles	-	-	351,238	406,536
Others	(9,643)	(23,617)	5,019	4,787
Total	273,327	364,021	872,121	949,697

The balance of deferred tax assets and liabilities are composed primarily of temporary differences to be reversed in the long term.

Movements of Deferred tax assets and liabilities

(a) From January 1 to December 31, 2017

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Ending balance Asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	(1,376,025)	185,282	-	322	(1,190,421)
Leased assets	(239,758)	(138,879)	-	294	(378,343)
Amortization	(77,480)	22,486	-	174	(54,820)
Provisions	281,369	(286,267)	(785)	(4,778)	(10,461)
Revaluation of financial instruments	3,223	2,417	(1,770)	(120)	3,750
Tax losses (*)	1,328,736	152,081	-	(1,257)	1,479,560
Intangibles	(430,705)	24,436	-	(267)	(406,536)
Others	(20,539)	(7,547)	-	(319)	(28,405)
Total	(531,179)	(45,991)	(2,555)	(5,951)	(585,676)

(b) From January 1 to December 31, 2018

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Ending balance Asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	(1,190,421)	188,052	-	3,137	(999,232)
Leased assets	(378,343)	(207,787)	-	2,866	(583,264)
Amortization	(54,820)	(3,735)	-	1,692	(56,863)
Provisions	(10,461)	92,804	1,567	(46,582)	37,328
Revaluation of financial instruments	3,750	(2,326)	(269)	(1,168)	(13)
Tax losses (*)	1,479,560	(98,154)	-	(12,256)	1,369,150
Intangibles	(406,536)	20,000	-	35,298	(351,238)
Others	(28,405)	16,853	-	(3,110)	(14,662)
Total	(585,676)	5,707	1,298	(20,123)	(598,794)

Deferred tax assets not recognized:

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Tax losses	137,761	81,155
Total Deferred tax assets not recognized	137,761	81,155

Deferred tax assets due to negative tax results are recognized to the extent that the corresponding tax benefit is probable in the future. As a result, as of December 31, 2018, the Company no longer recognizes deferred tax assets for ThUS $ 137,761 (ThUS $ 81,155 as of December 31, 2017) with respect to losses of ThUS $ 447,150 (ThUS $ 247,920 at December 31, 2017), additionally, and after the re-evaluation of the financial and fiscal projections, it has written off during the year ThUS $ 46,492 that were no longer considered recoverable.

Deferred tax expense and current income taxes:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Current tax expense		
Current tax expense	77,713	127,024
Adjustment to previous period's current tax	362	489
Total current tax expense, net	78,075	127,513
Deferred tax expense		
Deferred expense for taxes related to the creation and reversal of temporary differences	5,707	45,991
Total deferred tax expense, net	5,707	45,991
Income tax expense	83,782	173,504

Composition of income tax expense (income):

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Current tax expense, net, foreign	65,850	100,657
Current tax expense, net, Chile	12,225	26,856
Total current tax expense, net	78,075	127,513
Deferred tax expense, net, foreign	58,271	21,846
Deferred tax expense, net, Chile	(52,564)	24,145
Deferred tax expense, net, total	5,707	45,991
Income tax expense	83,782	173,504

Profit before tax by the legal tax rate in Chile (27% and 25.5% at December 31, 2018 and 2017, respectively)

	For the year ended December 31, 2018	2017	For the year ended December 31, 2018	2017
	ThUS$	ThUS$	%	%
Tax expense using the legal rate	80,198	95,425	27.00	25.50
Tax effect by change in tax rate	5,587	897	1.88	0.24
Tax effect of rates in other jurisdictions	3,287	42,326	1.11	11.31
Tax effect of non-taxable operating revenues	(3,076)	(44,593)	(1.04)	(11.92)
Tax effect of disallowable expenses	61,295	35,481	20.64	9.48
Tax effect of due to the non-use of tax losses	46,492	211	15.65	0.06
Other increases (decreases) in legal tax charge	(110,001)	43,757	(37.03)	11.69
Total adjustments to tax expense using the legal rate	3,584	78,079	1.21	20.86
Tax expense using the effective rate	83,782	173,504	28.21	46.36

Thus, at December 31, 2018 the Company presents the reconciliation of income tax expense and legal tax rate considering the rate increase.

Other increases (decreases) in legal tax charges (US$ 110 million) mainly includes the effect of the decrease in deferred tax liabilities (US$ 172.9 million) that occurs at the anticipated end of the financing of aircraft that were in leasing with related companies outside of Chile; and other adjustments for permanent differences in the other group companies (US$ 62.9 million).

Deferred taxes related to items charged to net equity:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Aggregate deferred taxation of components of other comprehensive income	1,298	(2,555)

NOTE 19 - OTHER FINANCIAL LIABILITIES

The composition of other financial liabilities is as follows:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Current		
(a) Interest bearing loans	1,397,156	1,288,749
(b) Hedge derivatives	25,921	12,200
(c) Derivative non classified as hedge acounting	7,712	-
Total current	1,430,789	1,300,949
Non-current		
(a) Interest bearing loans	5,864,570	6,602,891
(b) Hedge derivatives	340	2,617
Total non-current	5,864,910	6,605,508

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Current		
Loans to exporters	400,721	314,618
Bank loans (1)	37,743	59,017
Guaranteed obligations	324,976	531,173
Other guaranteed obligations	97,143	2,170
Subtotal bank loans	860,583	906,978
Obligation with the public (2)	14,643	14,785
Financial leases	425,100	276,541
Other loans	96,830	90,445
Total current	1,397,156	1,288,749
Non-current		
Bank loans	184,998	260,433
Guaranteed obligations (3) (7)	2,209,045	3,505,669
Other guaranteed obligations	576,309	240,007
Subtotal bank loans	2,970,352	4,006,109
Obligation with the public (4) (5) (6)	1,538,436	1,569,281
Financial leases (7)	1,199,754	832,964
Other loans	156,028	194,537
Total non-current	5,864,570	6,602,891
Total obligations with financial institutions	7,261,726	7,891,640

(1) On September 29, 2016 TAM Linhas Aéreas S.A. obtained financing for US$ 200 million, guaranteed with 18% of the shares of Multiplus S.A., percentage adjustable depending on the shares price. Additionally, TAM obtained a hedging economic (Cross Currency Swap) for the same amount and period, in order to convert the commitment currency from US$ to BRL.

On March 30, 2017, TAM Linhas Aéreas S.A. restructured the financing mentioned in the previous paragraph, modifying the nominal amount of the transaction to US $ 137 million.

On September 27, 2017, TAM Linhas Aéreas S.A. made the payment of capital plus interest corresponding to the last installment of the financing described above. Simultaneously, all the garments were lifted on the shares of Multiplus S.A. delivered as collateral.

(2) On April 25, 2017, the payment of the principal plus interest on the long-term bonds issued by the company TAM Capital Inc. for an amount of US$ 300,000,000 at an interest rate of 7.375% annual. The payment consisted of 100% of the capital, US$ 300,000,000, and interest accrued as of the date of payment for ThUS $ 11,063.

(3) On April 10, 2017, the issuance and private placement of debt securities in the amount of US$ 140,000,000 was made under the current structure of the Enhanced Equipment Trust Certificates ("EETC") issued and placed the year 2015 to finance the acquisition of eleven Airbus A321-200, two Airbus A350-900 and four Boeing 787-9 with arrivals between July 2015 and April 2016. The offer is made up of Class C Certificates, which are subordinate to the Current Class A Certificates and Class B Certificates held by the Company. The term of the Class C Certificates is six years and expires in 2023.

(4) On April 11, 2017, LATAM Finance Limited, a company incorporated in the Cayman Islands with limited liability and exclusively owned by LATAM Airlines Group SA, has issued and placed on the international market, pursuant to Rule 144 -A and Regulation S of the securities laws of the United States of America, long-term unsecured bonds in the amount of US$ 700,000,000, maturing in 2024 at an annual interest rate of 6.875%.

As reported in the essential fact of April 6, 2017, the Issue and placement of the 144-A Bonds was intended to finance general corporate purposes of LATAM.

(5) On August 17, 2017, LATAM made the placement in the local market (Santiago Stock Exchange) of the Series A Bonds (BLATM-A), Series B (BLATM-B), Series C (BLATM-) C) and Series D (BLATM-D), which correspond to the first issue of bonds charged to the line inscribed in the Securities Registry of the Commission for the Financial Market (“CMF”), under number 862 for a total of UF 9,000,000.

The total amount placed of the Series A Bond was UF 2,500,000; The total amount placed of the Series B Bond was UF 2,500,000. The total amount placed of the Series C Bond was UF 1,850,000. The total amount placed of the Series D Bond was UF 1,850,000, thus totaling UF 8,700,000.

The Series A Bonds have an expiration date on June 1, 2022 and an annual interest rate of 5.25%. The Series B Bonds have an expiration date on January 1, 2028 and an annual interest rate of 5.75%. The Series C Bonds have an expiration date on June 1, 2022 and an annual interest rate of 5.25%. The Series D Bonds have an expiration date on January 1, 2028 and an annual interest rate of 5.75%.

The proceeds of the placement of the Series A, Series B, Series C and Series D Bonds were allocated in full to the partial financing of the early redemption of the total bonds of TAM Capital 3 inc.

(6) On September 1, 2017, TAM Capital 3 Inc., a company controlled indirectly by TAM S.A. through its subsidiary TAM Linhas Aéreas SA, which consolidates its financial statements with LATAM, made the full advance redemption of the bonds it placed abroad on June 3, 2011, for an amount of US $ 500 million at a 8.375% rate and with an expiration date on June 3, 2021. The total redemption was partially financed with the placement of bonds in the local market described in number (5) above, and the balance, with other funds available from the Company.

(7) In the period ended December 31, 2018, the Company sold its participation in twenty one special-purpose entities. As a result of this, the classification of the financial liabilities associated with 50 aircraft from bonds guaranteed to finance leases was modified.

All interest-bearing liabilities are recorded according to the effective rate method. Under IFRS, in the case of fixed rate loans, the effective rate determined does not vary over the duration of the loan, whereas in variable rate loans, the effective rate changes to the date of each payment of interest.

Currency balances that make the interest bearing loans:

Currency	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Brazilian real	-	130
Chilean peso (U.F.)	500,398	521,122
US Dollar	6,767,812	7,370,388
Total	7,268,210	7,891,640

Interest-bearing loans due in installments to December 31, 2018

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total nominal value ThUS$	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total accounting value ThUS$	Amortization	Effective rate %	Nominal rate %
Loans to exporters																		
97.032.000-8	BBVA	Chile	ThUS$	38,000	75,000	-	-	-	113,000	38,432	75,623	-	-	-	114,055	At Expiration	3.36	3.36
97.032.000-8	BBVA	Chile	UF	-	50,785	-	-	-	50,785	-	50,930	-	-	-	50,930	At Expiration	3.31	3.31
97.036.000-K	SANTANDER	Chile	ThUS$	23,000	-	-	-	-	23,000	23,025	-	-	-	-	23,025	At Expiration	3.90	3.90
97.030.000-7	ESTADO	Chile	ThUS$	-	-	-	-	-	-	-	-	-	-	-	-	At Expiration	-	-
97.003.000-K	BANCO DO BRASIL	Chile	ThUS$	200,000	-	-	-	-	200,000	200,698	-	-	-	-	200,698	At Expiration	3.64	3.64
97.951.000-4	HSBC	Chile	ThUS$	12,000	-	-	-	-	12,000	12,013	-	-	-	-	12,013	At Expiration	3.14	3.14
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	5,461	16,385	16,385	-	-	38,231	5,480	16,385	16,232	-	-	38,097	Quarterly	3.35	3.35
0-E	BLADEX	U.S.A.	ThUS$	-	15,000	-	-	-	15,000	-	14,964	-	-	-	14,964	Semiannual	6.74	6.74
97.036.000-K	SANTANDER	Chile	ThUS$	-	-	102,521	-	-	102,521	223	-	102,521	-	-	102,744	Quarterly	5.60	5.60
76.362.099-9	BTG PACTUAL CHILE	Chile	UF	-	-	-	65,862	-	65,862	118	-	-	64,957	-	65,075	At Expiration	3.10	3.10
Obligations with the public																		
0-E	BANK OF NEW YORK	U.S.A.	ThUS$	-	-	500,000	-	700,000	1,200,000	13,057	-	495,617	-	697,869	1,206,543	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	-	-	172,591	172,591	345,182	1,586	-	-	172,420	172,530	346,536	At Expiration	5.50	5.50
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	658	1,986	5,384	2,052	-	10,080	715	1,986	5,384	2,052	-	10,137	Quarterly	3.23	3.23
0-E	BNP PARIBAS	U.S.A.	ThUS$	10,553	43,430	114,247	117,556	225,912	511,698	13,334	44,191	110,977	115,747	224,093	508,342	Quarterly	4.55	4.55
0-E	WILMINGTON TRUST	U.S.A.	ThUS$	20,689	65,846	178,818	237,334	450,071	952,758	26,365	65,846	173,617	235,058	447,686	948,572	Quarterly	4.47	4.47
0-E	CITIBANK	U.S.A.	ThUS$	10,776	32,790	90,991	72,189	62,619	269,365	11,923	32,790	86,130	70,048	61,203	262,094	Quarterly	3.82	2.93
0-E	US BANK	U.S.A.	ThUS$	15,506	47,050	129,462	135,489	84,177	411,684	17,433	47,050	114,729	129,547	82,137	390,896	Quarterly	4.00	2.82
0-E	NATIXIS	France	ThUS$	10,247	31,350	88,688	77,693	116,546	324,524	11,250	31,350	86,883	76,760	115,285	321,528	Quarterly	4.69	4.69
0-E	PK AIRFINANCE	U.S.A.	ThUS$	2,319	7,208	24,944	3,144	-	37,615	2,387	7,208	24,944	3,144	-	37,683	Monthly	4.15	4.14
0-E	INVESTEC	England	ThUS$	1,454	8,472	21,667	22,421	-	54,014	1,879	8,661	21,154	22,309	-	54,003	Semiannual	7.17	7.17
-	SWAP Aviones llegados	-	ThUS$	194	414	158	-	-	766	194	414	158	-	-	766	Quarterly	-	-
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	-	-	253,692	-	-	253,692	2,646	-	252,207	-	-	254,853	At Expiration	4.11	4.11
0-E	DVB BANK SE	Germany	ThUS$	23,417	70,626	191,207	117,084	19,731	422,065	23,871	70,626	188,231	116,185	19,686	418,599	Quarterly	4.42	4.42
Financial leases																		
0-E	ING	U.S.A.	ThUS$	3,687	11,338	11,806	-	-	26,831	3,923	11,338	11,657	-	-	26,918	Quarterly	5.70	5.01
0-E	CREDIT AGRICOLE	France	ThUS$	13,171	24,577	18,655	-	-	56,403	13,187	24,331	18,655	-	-	56,173	Quarterly	3.66	3.31
0-E	CITIBANK	U.S.A.	ThUS$	13,209	40,365	77,587	40,997	-	172,158	13,998	40,365	75,830	40,801	-	170,994	Quarterly	4.40	3.80
0-E	PEFCO	U.S.A.	ThUS$	5,486	13,094	3,827	-	-	22,407	5,641	13,094	3,743	-	-	22,478	Quarterly	5.65	5.02
0-E	BNP PARIBAS	U.S.A.	ThUS$	7,926	29,494	22,147	-	-	59,567	8,320	29,493	21,891	-	-	59,704	Quarterly	3.90	3.58
0-E	WELLS FARGO	U.S.A.	ThUS$	31,673	95,981	263,239	230,417	98,028	719,338	34,816	95,981	245,615	224,395	96,589	697,396	Quarterly	2.77	2.09
97.036.000-K	SANTANDER	Chile	ThUS$	5,576	16,895	46,386	26,165	-	95,022	6,000	16,895	45,346	26,063	-	94,304	Quarterly	3.68	3.14
0-E	RRPF ENGINE	England	ThUS$	552	2,531	7,142	7,752	5,035	23,012	552	2,531	7,142	7,752	5,035	23,012	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A.	ThUS$	1,444	4,393	12,146	12,808	753	31,544	1,658	4,393	11,726	12,713	752	31,242	Quarterly	3.93	3.31
0-E	BTMU	U.S.A.	ThUS$	2,933	8,916	24,635	25,937	768	63,189	3,199	8,916	23,798	25,751	767	62,431	Quarterly	4.06	3.46
0-E	NATIXIS	France	ThUS$	10,056	7,951	5,154	-	-	23,161	10,135	7,952	5,154	-	-	23,241	Quarterly	4.28	4.12
0-E	KFW IPEX-BANK	Germany	ThUS$	1,699	5,188	5,328	-	-	12,215	1,723	5,188	5,328	-	-	12,239	Quarterly	4.20	4.19
0-E	AIRBUS FINANCIAL	U.S.A.	ThUS$	1,915	5,838	7,664	-	-	15,417	1,954	5,838	7,664	-	-	15,456	Monthly	4.19	4.19
Other loans																		
0-E	BOEING	U.S.A.	ThUS$	-	-	55,727	-	-	55,727	-	1,229	55,727	-	-	56,956	At Expiration	4.01	4.01
0-E	CITIBANK (*)	U.S.A.	ThUS$	23,167	72,018	101,026	-	-	196,211	23,583	72,018	100,301	-	-	195,902	Quarterly	6.00	6.00
	Total			496,768	804,921	2,380,633	1,367,491	1,936,231	6,986,044	535,318	807,586	2,318,361	1,345,702	1,923,632	6,930,599			

(*) 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, 2018
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

				Nominal values						Accounting values								
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	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	ThUS$	138	426	1,233	54	-	1,851	147	426	1,233	54	-	1,860	Monthly	6.01	6.01
Financial leases																		
0-E	NATIXIS	France	ThUS$	3,043	6,490	44,525	41,731	-	95,789	3,656	6,490	44,525	41,731	-	96,402	Quarterly/Semiannual	6.87	6.87
0-E	WACAPOU LEASING S.A.	Luxemburg	ThUS$	728	2,219	6,280	-	-	9,227	756	2,219	6,280	-	-	9,255	Quarterly	4.81	4.81
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	ThUS$	9,422	28,872	169,930	-	-	208,224	10,212	28,871	169,730	-	-	208,813	Quarterly	5.88	5.82
0-E	GA Telessis LLC	U.S.A	ThUS$	299	908	2,496	2,623	6,876	13,202	568	908	3,823	2,623	6,876	14,798	Quarterly	15.62	15.62
	Total			13,630	38,915	224,464	44,408	6,876	328,293	15,339	38,914	225,591	44,408	6,876	331,128			
	Total consolidated			510,398	843,836	2,605,097	1,411,899	1,943,107	7,314,337	550,657	846,500	2,543,952	1,390,110	1,930,508	7,261,727			

Interest-bearing loans due in installments to December 31, 2017
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

				Nominal values						Accounting values								
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	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Loans to exporters																		
97.032.000-8	BBVA	Chile	ThUS$	75,000	-	-	-	-	75,000	75,781	-	-	-	-	75,781	At Expiration	2.30	2.30
97.032.000-8	BBVA	Chile	UF	-	55,801	-	-	-	55,801	-	55,934	-	-	-	55,934	At Expiration	3.57	2.77
97.036.000-K	SANTANDER	Chile	ThUS$	30,000	-	-	-	-	30,000	30,129	-	-	-	-	30,129	At Expiration	2.49	2.49
97.030.000-7	ESTADO	Chile	ThUS$	40,000	-	-	-	-	40,000	40,071	-	-	-	-	40,071	At Expiration	2.57	2.57
97.003.000-K	BANCO DO BRASIL	Chile	ThUS$	100,000	-	-	-	-	100,000	100,696	-	-	-	-	100,696	At Expiration	2.40	2.40
97.951.000-4	HSBC	Chile	ThUS$	12,000	-	-	-	-	12,000	12,007	-	-	-	-	12,007	At Expiration	2.03	2.03
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	21,298	21,360	42,006	-	-	84,664	21,542	21,360	41,548	-	-	84,450	Quarterly	3.68	3.68
0-E	BLADEX	U.S.A.	ThUS$	-	15,000	15,000	-	-	30,000	-	15,133	14,750	-	-	29,883	Semiannual	5.51	5.51
97.036.000-K	SANTANDER	Chile	ThUS$	-	-	202,284	-	-	202,284	439	-	202,284	-	-	202,723	Quarterly	4.41	4.41
Obligations with the public																		
0-E	BANK OF NEW YORK	U.S.A.	ThUS$	-	-	500,000	-	700,000	1,200,000	-	13,047	492,745	-	697,536	1,203,328	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	-	-	189,637	189,637	379,274	-	1,738		189,500	189,500	380,738	At Expiration	5.50	5.50
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	7,767	23,840	54,074	12,410	-	98,091	8,101	23,840	52,924	12,026	-	96,891	Quarterly	2.66	2.22
0-E	BNP PARIBAS	U.S.A.	ThUS$	10,929	44,145	114,800	119,948	285,399	575,221	13,328	44,781	111,319	117,987	282,714	570,129	Quarterly	3.41	3.40
0-E	WELLS FARGO	U.S.A.	ThUS$	27,223	82,402	225,221	233,425	240,716	808,987	30,143	82,402	203,371	224,295	236,179	776,390	Quarterly	2.46	1.75
0-E	WILMINGTON TRUST	U.S.A.	ThUS$	20,427	61,669	175,334	183,332	594,091	1,034,853	26,614	61,669	169,506	180,520	590,723	1,029,032	Quarterly	4.48	4.48
0-E	CITIBANK	U.S.A.	ThUS$	11,994	36,501	101,230	104,308	97,184	351,217	13,231	36,501	95,208	101,558	94,807	341,305	Quarterly	3.31	2.47
0-E	BTMU	U.S.A.	ThUS$	2,856	8,689	24,007	25,278	13,904	74,734	3,082	8,689	22,955	24,941	13,849	73,516	Quarterly	2.87	2.27
0-E	APPLE BANK	U.S.A.	ThUS$	1,401	4,278	11,828	12,474	7,242	37,223	1,583	4,278	11,303	12,303	7,212	36,679	Quarterly	2.78	2.18
0-E	US BANK	U.S.A.	ThUS$	15,157	45,992	126,550	132,441	152,693	472,833	17,364	45,992	109,705	125,006	148,318	446,385	Quarterly	4.00	2.82
0-E	DEUTSCHE BANK	U.S.A.	ThUS$	2,965	9,127	25,826	28,202	30,786	96,906	3,534	9,127	25,130	27,739	30,323	95,853	Quarterly	4.39	4.39
0-E	NATIXIS	France	ThUS$	14,645	44,627	107,068	91,823	154,848	413,011	15,642	44,627	105,056	90,823	153,124	409,272	Quarterly	3.42	3.40
0-E	PK AIRFINANCE	U.S.A.	ThUS$	2,163	6,722	19,744	17,871	-	46,500	2,225	6,722	19,744	17,871	-	46,562	Monthly	3.18	3.18
0-E	KFW IPEX-BANK	Germany	ThUS$	2,397	6,678	16,173	1,640	-	26,888	2,428	6,677	16,174	1,640	-	26,919	Quarterly	3.31	3.31
0-E	AIRBUS FINANCIAL	U.S.A.	ThUS$	1,855	5,654	15,416	-	-	22,925	1,900	5,654	15,416	-	-	22,970	Monthly	3.19	3.19
0-E	INVESTEC	England	ThUS$	1,374	7,990	20,440	22,977	10,597	63,378	1,808	8,181	19,801	22,769	10,565	63,124	Semiannual	6.04	6.04
-	SWAP Aviones llegados	-	ThUS$	301	749	765	-	-	1,815	301	749	765	-	-	1,815	Quarterly		-
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	-	-	241,287	-	-	241,287	2,170	-	240,007	-	-	242,177	At Expiration	3.38	3.38
Financial leases																		
0-E	ING	U.S.A.	ThUS$	5,347	10,779	26,831	-	-	42,957	5,717	10,779	26,500	-	-	42,996	Quarterly	5.67	5.00
0-E	CITIBANK	U.S.A.	ThUS$	11,206	34,267	86,085	49,853	2,863	184,274	12,013	34,267	84,104	49,516	2,859	182,759	Quarterly	3.78	3.17
0-E	PEFCO	U.S.A.	ThUS$	12,526	32,850	22,407	-	-	67,783	12,956	32,850	22,088	-	-	67,894	Quarterly	5.46	4.85
0-E	BNP PARIBAS	U.S.A.	ThUS$	13,146	33,840	48,823	2,296	-	98,105	13,548	33,840	48,253	2,293	-	97,934	Quarterly	3.66	3.25
0-E	WELLS FARGO	U.S.A.	ThUS$	10,630	33,866	91,162	64,471	20,984	221,113	11,460	33,866	88,674	63,860	20,903	218,763	Quarterly	3.17	2.67
97.036.000-K	SANTANDER	Chile	ThUS$	5,459	16,542	45,416	46,472	3,134	117,023	5,813	16,542	44,010	46,153	3,128	115,646	Quarterly	2.51	1.96
0-E	RRPF ENGINE	England	ThUS$	265	2,430	6,856	7,441	8,991	25,983	265	2,430	6,856	7,441	8,991	25,983	Monthly	4.01	4.01
Other loans																		
0-E	CITIBANK (*)	U.S.A.	ThUS$	21,822	67,859	196,210	-	-	285,891	22,586	67,859	194,537	-	-	284,982	Quarterly	6.00	6.00
	Total			482,153	713,657	2,562,843	1,346,299	2,513,069	7,618,021	508,477	729,534	2,484,733	1,318,241	2,490,731	7,531,716			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

Interest-bearing loans due in installments to December 31, 2017

Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

				Nominal values						Accounting values								
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	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	ThUS$	130	401	1,161	690	-	2,382	142	401	1,161	690	-	2,394	Monthly	6.01	6.01
Financial leases																		
0-E	NATIXIS	France	ThUS$	2,853	6,099	19,682	70,402	-	99,036	3,592	6,099	19,682	70,402	-	99,775	Quarterly/Semiannual	5.59	5.59
0-E	WACAPOU LEASING S.A.	Luxemburg	ThUS$	696	2,125	6,020	3,206	-	12,047	732	2,125	6,020	3,207	-	12,084	Quarterly	3.69	3.69
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	ThUS$	8,964	27,525	208,024	-	-	244,513	9,992	27,525	208,024	-	-	245,541	Quarterly	4.87	4.81
0-E	BANCO IBM S.A	Brazil	BRL	21	-	-	-	-	21	21	-	-	-	-	21	Monthly	6.89	6.89
0-E	SOCIETE GENERALE	France	BRL	101	8	-	-	-	109	101	8	-	-	-	109	Monthly	6.89	6.89
	Total			12,765	36,158	234,887	74,298	-	358,108	14,580	36,158	234,887	74,299	-	359,924			
	Total consolidated			494,918	749,815	2,797,730	1,420,597	2,513,069	7,976,129	523,057	765,692	2,719,620	1,392,540	2,490,731	7,891,640			

(b) Hedge derivatives

	Current liabilities		Non-current liabilities		Total hedge derivatives	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Accrued interest from the last date of interest rate swap	2,321	1,189	340	-	2,661	1,189
Fair value of interest rate derivatives	335	8,919	-	2,617	335	11,536
Fair value of fuel derivatives	15,678	-	-	-	15,678	-
Fair value of foreign currency derivatives	7,587	2,092	-	-	7,587	2,092
Total hedge derivatives	25,921	12,200	340	2,617	26,261	14,817

(c) Derivatives of non-coverage

	Current liabilities		Non-current liabilities		Total derivatives of no coverage	
	As of 31 december of 2018	As of 31 december of 2017	As of 31 december of 2018	As of 31 december of 2017	As of 31 december of 2018	As of 31 december of 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Derivative of foreign currency not registered as coverage	7,712	-	-	-	7,712	-
Total derived from non-coverage	7,712	-	-	-	7,712	-

The foreign currency derivatives correspond to options, forwards and swaps.

Hedging operation

The fair values of net assets/ (liabilities), by type of derivative, of the contracts held as hedging instruments are presented below:

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Cross currency swaps (CCS) (1)	15,099	38,875
Interest rate swaps (2)	(2,194)	(6,542)
Fuel options (3)	(15,811)	10,711
Currency options R$/US$ (4)	-	4,370
Currency options CLP/US$ (4)	-	636

(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 US$/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 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.

(3) 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.

(4) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate CLP/US$, R$/US$, US$/EUR and US$/GBP. These contracts are recorded as cash flow hedges.

During the periods presented, the Company only has cash flow and fair value hedges (in the case of CCS). In the case of fuel hedges, the cash flows subject to such hedges will occur and will impact results in the next 9 months from the date of the consolidated statement of financial position, while in the case of hedges of interest rates, these they will occur and will impact results throughout the life of the associated loans, up to their maturity. In the case of currency hedges through a CCS, there is a group of hedging relationships, in which two types of hedge accounting are generated, one of cash flow for the US $ / UF component; and another of fair value, for the floating rate component US $. The other group of hedging relationships only generates cash flow hedge accounting for the US $ / UF component.

During the periods presented, no hedging operations of future highly probable transaction that have not been realized have occurred.

Since none of the coverage resulted in the recognition of a non-financial asset, no portion of the result of the derivatives recognized in equity was transferred to the initial value of such assets.

The amounts recognized in comprehensive income during the period and transferred from net equity to income are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017	
	ThUS$	ThUS$	
Debit (credit) recognized in comprehensive income during the period	(27,797)	18,344	#
Debit (credit) transferred from net equity to income during the period	30,018	(15,000)	#

NOTE 20 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Current		
(a) Trade and other accounts payables	1,279,976	1,349,201
(b) Accrued liabilities at the reporting date	394,327	346,001
Total trade and other accounts payables	1,674,303	1,695,202

(a) Trade and other accounts payable:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Trade creditors	1,048,033	1,096,540
Leasing obligation	6,981	4,448
Other accounts payable	224,962	248,213
Total	1,279,976	1,349,201

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

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Aircraft Fuel	304,426	219,601
Boarding Fee	210,621	249,898
Other personnel expenses	92,047	89,621
Handling and ground handling	84,213	103,784
Professional services and advisory	83,182	81,679
Airport charges and overflight	82,181	106,534
Suppliers technical purchases	75,402	114,690
Marketing	60,303	75,220
Air companies	59,524	31,381
Leases, maintenance and IT services	55,427	69,873
Services on board	44,434	68,605
Land services	26,014	31,151
Crew	21,943	24,163
Achievement of goals	21,265	5,732
Aviation insurance	11,943	5,108
Maintenance	8,244	26,244
Aircraft and engines leasing	6,981	4,285
Communications	92	5,273
Others	31,734	36,359
Total trade and other accounts payables	1,279,976	1,349,201

(b) Liabilities accrued:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Accrued personnel expenses	116,242	125,246
Aircraft and engine maintenance	170,731	92,711
Accounts payable to personnel (*)	81,222	99,862
Others accrued liabilities	26,132	28,182
Total accrued liabilities	394,327	346,001

(*) Profits and bonus participation (Note 23 letter b)

NOTE 21 - OTHER PROVISIONS

Other provisions:

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Provision for contingencies (1)						
Tax contingencies	2,982	1,913	197,038	258,305	200,020	260,218
Civil contingencies	1,207	497	59,834	62,858	61,041	63,355
Labor contingencies	605	373	23,244	28,360	23,849	28,733
Other	-	-	13,976	15,187	13,976	15,187
Provision for European Commision investigation (2)	-	-	9,403	9,883	9,403	9,883
Total other provisions (3)	4,794	2,783	303,495	374,593	308,289	377,376

(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, 2018, and 2017, include the fair value correspond to those contingencies from the business combination with TAM S.A and subsidiaries, with a probability of loss under 50%, which are not provided for the normal application of IFRS enforcement and that only must be recognized in the context of a business combination in accordance with IFRS 3.

Movement of provisions:

	Legal claims (1)	European Commission Investigation (2)	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2017	416,473	8,664	425,137
Increase in provisions	106,943	-	106,943
Provision used	(14,860)	-	(14,860)
Difference by subsidiaries conversion	(5,830)	-	(5,830)
Reversal of provision	(135,109)	-	(135,109)
Exchange difference	(124)	1,219	1,095
Closing balance as of December 31, 2017	367,493	9,883	377,376
Opening balance as of January 1, 2018	367,493	9,883	377,376
Increase in provisions	106,870	-	106,870
Provision used	(59,032)	-	(59,032)
Difference by subsidiaries conversion	(48,330)	-	(48,330)
Reversal of provision	(66,965)	-	(66,965)
Exchange difference	(1,150)	(480)	(1,630)
Closing balance as of December 31, 2018	298,886	9,403	308,289

(1) Cumulative balances include judicial deposit delivered as security, with respect to the "Aerovía Fundo" (FA), for US $ 85 million, made in order to suspend the application of the tax credit. The Company is discussing in the Court the constitutionality of the requirement made by FA in a lawsuit. Initially it was covered by the effects of a precautionary measure, this means that the Company would not be obliged to collect the tax, as long as there is no judicial decision in this regard. However, the decision taken by the judge in the first instance was published unfavorably, revoking the injunction. As the lawsuit is still underway (TAM appealed this first decision), the Company needed to make the judicial deposit, for the suspension of the enforceability of the tax credit; deposit that was classified in this item, discounting the existing provision for this purpose. Finally, if the final decision is favorable to the Company, the deposit made will return to TAM. On the other hand, if the court confirms the first decision, said deposit will become a final payment in favor of the Government of Brazil. The procedural stage as of December 31, 2018 is described in Note 31 in the Role of the case 2001.51.01.012530-0.

2) European Commission Provision:

Provision constituted on the occasion of the process initiated in December 2007 by the General Competition Directorate of the European Commission against more than 25 cargo airlines, among which is Lan Cargo SA, which forms part of the global investigation initiated in 2006 for possible infractions of free competition in the air cargo market, which was carried out jointly by the European and United States authorities.

With respect to Europe, the General Directorate of Competition imposed fines totaling € 799,445,000 (seven hundred and ninety-nine million four hundred and forty-five thousand Euros) for infractions of European Union regulations on free competition against eleven (11) airlines, among which are LATAM Airlines Group SA and its subsidiary Lan Cargo SA .. For its part, LATAM Airlines Group S.A. and Lan Cargo S.A., jointly and severally, have been fined for the amount of € 8,220,000 (eight million two hundred and twenty thousand Euros), for these infractions, an amount that was provisioned in the financial statements of LATAM. On January 24, 2011, LATAM Airlines Group S.A. and Lan Cargo S.A. They appealed the decision before the Court of Justice of the European Union. On December 16, 2015, the European Court resolved the appeal and annulled the Commission's Decision. The European Commission did not appeal the judgment, but on March 17, 2017, the European Commission again adopted its original decision to impose on the eleven lines original areas, the same fine previously imposed, amounting to a total of 776,465,000 Euros In the case of LAN Cargo and its parent, LATAM Airlines Group S.A. imposed the same fine of 8.2 million Euros. The procedural stage as of December 31, 2018 is described in Note 31 in section (ii) judgments received by LATAM Airlines Group S.A. and Subsidiaries.

NOTE 22 - OTHER NON-FINANCIAL LIABILITIES

		Current liabilities		Non-current liabilities		Total Liabilities	
		As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Deferred revenues	(*)	2,330,058	2,690,961	644,702	158,305	2,974,760	2,849,266
Sales tax		12,726	22,902	-	-	12,726	22,902
Retentions		34,434	38,197	-	-	34,434	38,197
Others taxes		7,700	8,695	-	-	7,700	8,695
Dividends payable		54,580	46,591	-	-	54,580	46,591
Other sundry liabilities		15,248	16,617	-	-	15,248	16,617
Total other non-financial liabilities		2,454,746	2,823,963	644,702	158,305	3,099,448	2,982,268

(*) Note 2.20.

The balance comprises, mainly, deferred income by services not yet rendered at December 31, 2018 and 2017; and programs such as: LATAM Pass, LATAM Fidelidade y Multiplus:

LATAM Pass is the frequent passenger program created by LAN to reward the preference and loyalty of its customers with multiple benefits and privileges, through the accumulation of miles that can be exchanged for free flight tickets or for a varied range of products and services. Customers accumulate LATAM Pass miles every time they fly on LAN, TAM, oneworld® member companies and other airlines associated with the program, as well as buying at stores or using the services of a vast network of companies that have an agreement with the program around the world.

For its part, TAM, thinking of people who travel constantly, created the LATAM Fidelidade program, in order to improve the service and give recognition to those who choose the company. Through the program, customers accumulate points in a wide variety of loyalty programs in a single account and can redeem them in all TAM destinations and associated airline companies, and even more, participate in the Multiplus Fidelidade Network.

Multiplus is a coalition of loyalty programs, with the objective of operating accumulation and exchange of points. This program has a network integrated by associated companies, including hotels, financial institutions, retail companies, supermarkets, vehicle leases and magazines, among many other partners from different segments.

The Company signed a renewal of the agreement with Banco Santander-Chile, which extends its alliance in Chile to continue developing travel benefits to its respective clients during the next 7 years.

Movement of Other non-financial liabilities:

	Deferred income Air transport and other
	ThUS$
Opening balance as of january 1, 2018	2,849,266
Recognition of deferred income	7,690,972
Use deferred income	(8,230,750)
Expiration of tickets	(284,730)
Deferred revenue loyalty (accreditation and exchange)	944,246
Others provisions	6,894
Adjustment application IAS 29, Argentina hyperinflation	927
Closing balance as of December 31 ,2018	2,976,825

NOTE 23 - EMPLOYEE BENEFITS

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Retirements payments	56,126	55,119
Resignation payments	8,802	10,124
Other obligations	17,437	35,844
Total liability for employee benefits	82,365	101,087

The movement in retirements and resignation payments and other obligations:

	Opening balance	Increase (decrease) current service provision	Benefits paid	Actuarial (gains) losses	Currency translation	Closing balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2017	82,322	21,635	(5,399)	(2,763)	5,292	101,087
From January 1 to December 31, 2018	101,087	(7,384)	(6,018)	5,820	(11,140)	82,365

The principal assumptions used in the calculation to the provision in Chile are presented below:

Assumptions	As of December 31, 2018	2017
Discount rate	4.27%	4.55%
Expected rate of salary increase	4.50%	4.50%
Rate of turnover	6.60%	6.98%
Mortality rate	RV-2014	RV-2014
Inflation rate	2.70%	2.72%
Retirement age of women	60	60
Retirement age of men	65	65

The discount rate corresponds to the 20-year term rate of the BCP Central Bank of Chile Bonds. The RV-2014 mortality tables correspond to those established by the Commission for the Financial Market of Chile and for the determination of the inflation rates; the market performance curves of Central Bank of Chile papers of the BCUs have been used. BCP long term at the date of scope.

The calculation of the present value of the defined benefit obligation is sensitive to the variation of some actuarial assumptions such as discount rate, salary increase, rotation and inflation.

The sensitivity analysis for these variables is presented below:

	Effect on the liability	
	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Discount rate		
Change in the accrued liability an closing for increase in 100 p.b.	(6,538)	(5,795)
Change in the accrued liability an closing for decrease of 100 p.b.	4,918	6,617
Rate of wage growth		
Change in the accrued liability an closing for increase in 100 p.b.	4,750	6,412
Change in the accrued liability an closing for decrease of 100 p.b.	(6,547)	(5,750)

(b) The liability for short-term:

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Profit-sharing and bonuses (*)	81,222	99,862

(*) Accounts payables to employees (Note 20 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 year ended December 31, 2018	2017
	ThUS$	ThUS$
Salaries and wages	1,481,357	1,604,552
Short-term employee benefits	132,394	145,245
Termination benefits	54,007	85,070
Other personnel expenses	152,211	188,767
Total	1,819,969	2,023,634

NOTE 24 - ACCOUNTS PAYABLE, NON-CURRENT

	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$
Aircraft and engine maintenance	467,923	483,795
Provision for vacations and bonuses	15,357	14,725
Other sundry liabilities	376	312
Total accounts payable, non-current	483,656	498,832

NOTE 25 - 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 paid capital of the Company at December 31, 2018 amounts to ThUS$ 3,146,265 divided into 606,407,693 common stock of a same series (ThUS$ 3,146,265 (*) divided into 606,407,693 shares as of December 31, 2017), a single series nominative, ordinary character with 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.

(*) Includes deduction of issuance costs for ThUS $ 3,299 and adjustment for placement of 10,282 shares for ThUS $ 156, approved at the Extraordinary Shareholders Meeting of the Company on April 27, 2017.

(b) Subscribed and paid shares

On August 18, 2016, the Company held an extraordinary shareholders' meeting at which it was approved to increase the capital by issuing 61,316,424 payment shares, all ordinary, without par value. As of December 31, 2016, 60,849,592 shares had been placed against said increase, according to the following breakdown: (a) 30,499,685 shares subscribed and paid at the end of the pre-emptive option period, which expired on December 23, 2016; December 2016, collecting the equivalent of US $ 304,996,850; and (b) 30,349,907 additional shares subscribed on December 28, 2016, collecting the equivalent of US $ 303,499,070. Due to this last described placement, as of December 31, 2018, the number of subscribed and paid shares of the Company reached 606,407,693.

Consequently, as of December 31, 2018, the statutory capital of the Company is represented by 606,874,525 shares, all of the same and unique series, registered, ordinary, without par value, which is divided into: (a) 606,407,693 subscribed and paid shares mentioned above; and (b) 466,832 shares pending subscription and payment, which correspond to the balance of shares pending placement of the last capital increase, described in the previous paragraph.

The following table shows the movement of the authorized and fully paid shares described above:

Movement of authorized shares Nro. Of shares	Opening balance	Expired shares intended for compensation plans	Closing balance
From January 1 to December 31, 2017	608,374,525	-	608,374,525
From January 1 to December 31, 2018	608,374,525	(1,500,000) (*)	606,874,525

(*) On June 11, 2018, the term of subscription and payment of 1,500,000 shares to create and implement compensation plans for Company employees expired.

Movement fully paid shares	N° of shares		Movement value of shares (1) ThUS$	Cost of issuance and placement of shares (2) ThUS$	Paid- in Capital ThUS$
Paid shares as of January 1, 2017	606,407,693		3,160,718	(11,154)	3,149,564
Capital reserve	-		-	(3,299)	(3,299)
Paid shares as of December 31, 2017	606,407,693		3,160,718	(14,453)	3,146,265
Paid shares as of January 1, 2018	606,407,693		3,160,718	(14,453)	3,146,265
Paid shares as of December 31, 2018	606,407,693	(3)	3,160,718	(14,453)	3,146,265

(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, 2018, the difference between authorized shares and fully paid shares are 466,832 shares, of which correspond to the shares issued and unsubscribed from the capital increase approved at the Extraordinary Shareholders Meeting held on August 18, 2016.

(c) Treasury stock

At December 31, 2018, 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 which held in its portfolio.

(d) Reserve of share- based payments

Movement of Reserves of share- based payments:

Periods	Opening balance ThUS$	Stock option plan ThUS$	Net movement of the period ThUS$	Closing balance ThUS$
From January 1 to December 31, 2017	38,538	943	943	39,481
From January 1 to December 31, 2018	39,481	(1,607)	(1,607)	37,874

These reserves are related to the “Share-based payments” explained in Note 34.

(e) Other sundry reserves

Movement of Other sundry reserves:

Periods	Opening balance ThUS$	Legal reserves ThUS$	Closing balance ThUS$
From January 1 to December 31, 2017	2,640,281	(501)	2,639,780
From January 1 to December 31, 2018	2,639,780	(864)	2,638,916

Balance of Other sundry reserves comprises the following:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Higher value for TAM S.A. share exchange (1)	2,665,692	2,665,692
Reserve for the adjustment to the value of fixed assets (2)	2,620	2,620
Transactions with non-controlling interest (3)	(25,913)	(25,911)
Others	(3,483)	(2,621)
Total	2,638,916	2,639,780

(1) Corresponds to the difference between the value of the shares of TAM S.A., acquired by Sister Holdco S.A. (under the Subscriptions) and by Holdco II S.A. (by virtue of the Exchange Offer), which is recorded in the declaration of completion of the merger by absorption, and the fair value of the shares exchanged by LATAM Airlines Group S.A. as of June 22, 2012.

(2) Corresponds to the technical revaluation of the fixed assets authorized by the Commission for the Financial Market in the year 1979, in Circular No. 1529. The revaluation was optional and could be made only once; the originated reserve is not distributable and can only be capitalized.

(3) The balance as of December 31, 2018 corresponds to the loss generated by: Lan Pax Group S.A. e Inversiones Lan S.A. in the acquisition of shares of Aerovías de Integración Regional Aires S.A. for ThUS $ (3,480) and ThUS $ (20), respectively; the acquisition of TAM S.A. of the minority interest in Aerolinhas Brasileiras S.A. for ThUS $ (885), the acquisition of Inversiones Lan S.A. of the minority participation in Aires Integra Regional Airlines S.A. for an amount of ThUS $ (2) and the acquisition of a minority stake in Aerolane S.A. by Lan Pax Group S.A. for an amount of ThUS $ (21,526) through Holdco Ecuador S.A.

(f) Reserves with effect in other comprehensive income.

Movement of Reserves with effect in other comprehensive income:

	Currency translation reserve	Cash flow hedging reserve	Actuarial gain or loss on defined benefit plans reserve	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2017	(2,086,555)	1,506	(12,900)	(2,097,949)
Derivatives valuation gains (losses)	-	18,436	-	18,436
Deferred tax	-	(1,802)	-	(1,802)
Actuarial reserves by employee benefit plans	-	-	2,758	2,758
Deferred tax actuarial IAS by employee benefit plans	-	-	(784)	(784)
Difference by subsidiaries conversion	(45,035)	-	-	(45,035)
Closing balance as of December 31, 2017	(2,131,590)	18,140	(10,926)	(2,124,376)
Opening balance as of January 1, 2018	(2,131,590)	18,140	(10,926)	(2,124,376)
Derivatives valuation gains (losses)	-	(26,899)	-	(26,899)
Deferred tax	-	(574)	-	(574)
Actuarial reserves by employee benefit plans	-	-	(5,819)	(5,819)
Deferred tax actuarial IAS by employee benefit plans	-	-	1,567	1,567
Difference by subsidiaries conversion	(597,615)	-	-	(597,615)
Closing balance as of December 31, 2018	(2,729,205)	(9,333)	(15,178)	(2,753,716)

(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.

(f.3) Reserves of actuarial gains or losses on defined benefit plans

Correspond to the increase or decrease in the obligation present value for defined benefit plan due to changes in actuarial assumptions, and experience adjustments, which is the effects of differences between the previous actuarial assumptions and what has actually occurred.

(g) Retained earnings

Movement of Retained earnings:

Periods	Opening balance	Result for the period	Dividends	Other increase (decreases) (1) (2)	Closing balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2017	366,404	155,304	(46,591)	-	475,117
From January 1 to December 31, 2018	475,117	181,935	(54,580)	(4,797)	597,675

(1) Adjustments adoption IFRS 9 and IFRS 15 ThUS (9,549) (See Note 2)
(2) Variation effect in Accumulated results, by application IAS 29, Argentina hyperinflation:

Items	ThUS$
Property, plant and equipment	4,573
Intangible assets other than goodwill	69
Goodwill	335
Deferred incomes	(377)
Other non-financial assets	152
Total Adjust accumulated results	4,752

(h) Dividends per share

Description of dividend	Minimum mandatory dividend 2018	Final dividend dividend 2017
Date of dividend	12-31-2018	12-31-2017
Amount of the dividend (ThUS$)	54,580	46,591 (*)
Number of shares among which the dividend is distributed	606,407,693	606,407,693
Dividend per share (US$)	0.0900	0.0768

(*) By virtue of the Essential Fact issued on April 26, 2018, the shareholders of LATAM approved the distribution of the final dividend proposed by the Board of Directors in Ordinary Session of April 26, 2018, which amounts to ThUS $ 46,591, which corresponds to 30% of the profits for the year corresponding to 2017.

The payment was made on May 17, 2018.

NOTE 26 - REVENUE

The detail of revenues is as follows:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Passengers	8,708,988	8,494,477
Cargo	1,186,468	1,119,430
Total	9,895,456	9,613,907

NOTE 27 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Aircraft fuel	2,983,028	2,318,816
Other rentals and landing fees	1,217,647	1,172,129
Aircraft rentals	538,347	579,551
Aircraft maintenance	382,242	430,825
Comissions	222,506	252,474
Passenger services	280,279	288,662
Other operating expenses	1,237,430	1,381,546
Total	6,861,479	6,424,003

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Depreciation (*)	916,050	943,215
Amortization	65,596	58,410
Total	981,646	1,001,625

(*) 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, 2018 is ThUS$ 366,393 and ThUS$ 359,940 for the same period of 2017 respectavely.

(c) Personnel expenses

The costs for personnel expenses are disclosed in Note 23 liability for employee benefits.

(d) Financial costs

The detail of financial costs is as follows:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Bank loan interest	283,786	347,551
Financial leases	62,202	37,522
Other financial instruments	10,281	8,213
Total	356,269	393,286

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 23, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.

NOTE 28 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Coalition and loyalty program Multiplus	126,443	240,952
Tours	108,448	109,463
Aircraft leasing	78,056	103,741
Customs and warehousing	26,667	26,793
Maintenance	16,569	8,038
Duty free	3,555	6,585
Other miscellaneous income	113,020	54,317
Total	472,758	549,889

NOTE 29 - 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, brazilian real and guaraní.

The functional currency is defined 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:

Current assets	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Cash and cash equivalents	606,673	260,092
Argentine peso	4,236	7,309
Brazilian real	34,360	14,242
Chilean peso	415,399	81,693
Colombian peso	2,732	1,105
Euro	20,339	11,746
U.S. dollar	51,382	108,327
Other currency	78,225	35,670
Other financial assets, current	57,132	36,484
Argentine peso	11	21
Brazilian real	25,829	17
Chilean peso	25,904	26,605
Colombian peso	139	150
U.S. dollar	4,923	9,343
Other currency	326	348

Current assets	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Other non - financial assets, current	106,952	107,170
Argentine peso	13,077	16,507
Brazilian real	37,794	19,686
Chilean peso	30,916	34,258
Colombian peso	434	340
Euro	3,935	2,722
U.S. dollar	8,949	21,907
Other currency	11,847	11,750
Trade and other accounts receivable, current	518,006	373,447
Argentine peso	54,053	49,680
Brazilian real	6,037	22,006
Chilean peso	112,133	82,369
Colombian peso	5,065	1,169
Euro	49,044	48,286
U.S. dollar	2,938	34,268
Other currency	288,736	135,669
Accounts receivable from related entities, current	593	958
Chilean peso	200	735
U.S. dollar	393	223
Tax current assets	20,774	33,575
Argentine peso	812	1,679
Brazilian real	1,106	3,934
Chilean peso	4,860	3,317
Colombian peso	5	660
Euro	-	179
U.S. dollar	429	327
Peruvian sol	13,306	21,948
Other currency	256	1,531
Total current assets	1,310,130	811,726
Argentine peso	72,189	75,196
Brazilian real	105,126	59,885
Chilean peso	589,412	228,977
Colombian peso	8,375	3,424
Euro	73,318	62,933
U.S. Dollar	69,014	174,395
Other currency	392,696	206,916

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Non-current assets	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Other financial assets, non-current	21,850	20,975
Brazilian real	4,941	3,831
Chilean peso	68	74
Colombian peso	145	281
Euro	7,438	7,853
U.S. dollar	7,441	7,273
Other currency	1,817	1,663
Other non - financial assets, non-current	31,126	9,108
Argentine peso	86	172
Brazilian real	7,465	6,368
U.S. dollar	3	38
Other currency	23,572	2,530
Accounts receivable, non-current	5,378	6,887
Chilean peso	5,378	6,887
Deferred tax assets	2,073	2,081
Colombian peso	78	86
Other currency	1,995	1,995
Total non-current assets	60,427	39,051
Argentine peso	86	172
Brazilian real	12,406	10,199
Chilean peso	5,446	6,961
Colombian peso	223	367
Euro	7,438	7,853
U.S. dollar	7,444	7,311
Other currency	27,384	6,188

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	
Current liabilities	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Other financial liabilities, current	56,842	36,000	107,815	115,182
Chilean peso	41,503	21,542	68,901	79,032
U.S. dollar	15,339	14,458	38,914	36,150
Trade and other accounts payables, current	970,872	919,373	37,809	33,707
Argentine peso	229,907	122,452	6,142	8,636
Brazilian real	30,974	28,810	1,152	669
Chilean peso	198,766	233,202	26,113	11,311
Colombian peso	7,915	2,964	752	855
Euro	84,903	58,081	1,375	9,165
U.S. dollar	325,385	409,380	55	1,154
Peruvian sol	37,285	39,064	1,124	825
Mexican peso	5,975	2,732	167	115
Pound sterling	13,395	5,839	305	199
Uruguayan peso	847	1,890	-	-
Other currency	35,520	14,959	624	778
Accounts payable to related entities, current	365	760	-	-
Chilean peso	253	546	-	-
U.S. dollar	112	4	-	-
Other currency	-	210	-	-
Other provisions, current	1,434	959	-	-
Chilean peso	28	30	-	-
Other currency	1,406	929	-	-
Tax liabilities, current	13	-	-	174
Argentine peso	4	-	-	174
Chilean peso	9	-	-	-

Current liabilities	Up to 90 days		91 days to 1 year	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$
Other non-financial liabilities, current	38,120	25,190	-	-
Argentine peso	1,089	393	-	-
Brazilian real	1,455	542	-	-
Chilean peso	14,130	11,283	-	-
Colombian peso	1,009	837	-	-
Euro	4,411	5,954	-	-
U.S. dollar	10,468	3,160	-	-
Other currency	5,558	3,021	-	-
Total current liabilities	1,067,646	982,282	145,624	149,063
Argentine peso	231,000	122,845	6,142	8,810
Brazilian real	32,429	29,352	1,152	669
Chilean peso	254,689	266,603	95,014	90,343
Colombian peso	8,924	3,801	752	855
Euro	89,314	64,035	1,375	9,165
U.S. dollar	351,304	427,002	38,969	37,304
Other currency	99,986	68,644	2,220	1,917

Non-current liabilities	More than 1 to 3 years		More than 3 to 5 years		More than 5 years	
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Other financial liabilities, non-current	241,823	276,436	281,785	263,798	179,406	189,500
Chilean peso	16,232	41,548	237,377	189,500	172,530	189,500
U.S. dollar	225,591	234,888	44,408	74,298	6,876	-
Accounts payable, non-current	308,715	362,964	-	-	-	-
Chilean peso	14,027	13,251	-	-	-	-
U.S. dollar	293,448	348,329	-	-	-	-
Other currency	1,240	1,384	-	-	-	-
Other provisions, non-current	36,120	41,514	-	-	-	-
Argentine peso	542	940	-	-	-	-
Brazillian real	19,815	24,074	-	-	-	-
Colombian peso	295	551	-	-	-	-
Euro	9,403	9,883	-	-	-	-
U.S. dollar	6,065	6,066	-	-	-	-
Provisions for employees benefits, non-current	72,674	77,579	-	-	-	-
Chilean peso	72,187	73,399	-	-	-	-
U.S. dollar	487	4,180	-	-	-	-
Other non-financial liabilities, non-current	-	3	-	-	-	-
Colombian peso	-	3	-	-	-	-
Total non-current liabilities	659,332	758,496	281,785	263,798	179,406	189,500
Argentine peso	542	940	-	-	-	-
Brazilian real	19,815	24,074	-	-	-	-
Chilean peso	102,446	128,198	237,377	189,500	172,530	189,500
Colombian peso	295	554	-	-	-	-
Euro	9,403	9,883	-	-	-	-
U.S. dollar	525,591	593,463	44,408	74,298	6,876	-
Other currency	1,240	1,384	-	-	-	-

General summary of foreign currency:	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
Total assets	1,370,557	850,777
Argentine peso	72,275	75,368
Brazilian real	117,532	70,084
Chilean peso	594,858	235,938
Colombian peso	8,598	3,791
Euro	80,756	70,786
U.S. dollar	76,458	181,706
Other currency	420,080	213,104
Total liabilities	2,333,793	2,343,136
Argentine peso	237,684	132,595
Brazilian real	53,396	54,095
Chilean peso	862,056	864,144
Colombian peso	9,971	5,207
Euro	100,092	83,083
U.S. dollar	967,148	1,132,067
Other currency	103,446	71,945
Net position		
Argentine peso	(165,409)	(57,227)
Brazilian real	64,136	15,989
Chilean peso	(267,198)	(628,206)
Colombian peso	(1,373)	(1,416)
Euro	(19,336)	(12,297)
U.S. dollar	(890,690)	(950,361)
Other currency	316,634	141,159

(b) Exchange differences

The exchange differences recognized in profit or loss, except for financial instruments measured at fair value through profit or loss, for the period ended December 31, 2018 and 2017, amounted a charge of ThUS$ 157,708 and ThUS$ 18,718, respectively.

The exchange differences recognized in statement of comprehensive income as reserves for translation exchange differences for the period ended December 31, 2018 and 2017 meant a charge of ThUS $ 610,201 and ThUS$ 47,495, respectively.

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

	As of December 31, 2018	2017	2016	2015
Argentine peso	37.74	18.57	15.84	12.97
Brazilian real	3.87	3.31	3.25	3.98
Chilean peso	694.77	614.75	669.47	710.16
Colombian peso	3,239.45	2,984.77	3,000.25	3,183.00
Euro	0.87	0.83	0.95	0.92
Strong bolivar	0.00	3,345.00	673.76	198.70
Sovereign bolivar (*)	3,299.12	-	-	-
Australian dollar	1.42	1.28	1.38	1.37
Boliviano	6.86	6.86	6.86	6.85
Mexican peso	19.68	19.66	20.63	17.34
New Zealand dollar	1.49	1.41	1.44	1.46
Peruvian Sol	3.37	3.24	3.35	3.41
Uruguayan peso	32.38	28.74	29.28	29.88

(*) On August 20, 2018, in Venezuela there was a change of currency, five zeros were eliminated to simplify and the surname was changed to sovereign.

NOTE 30 - EARNINGS / (LOSS) PER SHARE

	For the year ended December 31,	
Basic earnings / (loss) per share	2018	2017
Earnings / (loss) attributable to owners of the parent (ThUS$)	181,935	155,304
Weighted average number of shares, basic	606,407,693	606,407,693
Basic earnings / (loss) per share (US$)	0.30002	0.25610

	For the year ended December 31,	
Diluted earnings / (loss) per share	2018	2017
Earnings / (loss) attributable to owners of the parent (ThUS$)	181,935	155,304
Weighted average number of shares, basic	606,407,693	606,407,693
Weighted average number of shares, diluted	606,407,693	606,407,693
Diluted earnings / (loss) per share (US$)	0.30002	0.25610

NOTE 31 – CONTINGENCIES

I. Lawsuits

1) Lawsuits filed by LATAM Airlines Group S.A. and Subsidiaries

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Tam Viagens S.A.	Fazenda Pública do Município de São Paulo.	1004194-37.2018.8.26.0053	This is a voidance action appealing the charges for violations and fines (67.168.795 / 67.168.833 / 67.168.884 / 67.168.906 / 67.168.914 / 67.168.965). We are arguing that numbers are missing from the ISS calculation base since the company supposedly made improper deductions.	The lawsuit was assigned on January 31, 2018. That same day, a decision was rendered suspending the charges without any bond. We are waiting for the deadline for the municipality to appeal to expire. The municipality filed an appeal against this decision on April 30, 2018, that is pending a decision. The voidance action is now in the evidentiary period.	85,883

2) Lawsuits received by LATAM Airlines Group S.A. and Subsidiaries

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) 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 26th , 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 April 14th, 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011. On May 11, 2015, we attended a hearing at which we petitioned for the vacation of the Decision based on discrepancies in the Decision between the operating section, which mentions four infringements (depending on the routes involved) but refers to Lan in only one of those four routes; and the ruling section (which mentions one single conjoint infraction). On November 9th, 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$ 9,402 (8.220.000 Euros) This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. On December 16, 2015, the European Court of Justice revoked the Commission's decision because of discrepancies. The European Commission did not appeal the decision, but presented a new one on March 17, 2017 reiterating the imposition of the same fine on the eleven original airlines. The fine totals 776,465,000 Euros. It imposed the same fine as before on Lan Cargo and its parent, LATAM Airlines Group S.A., totaling 8.2 million Euros. On May 31, 2017 Lan Cargo S.A. and LATAM Airlines Group S.A. filed a petition with the General Court of the European Union seeking vacation of this decision. We presented our defense in December 2017. LATAM AIRLINES GROUP S.A. expects that the Court of the European Union will reduce this fine.	9,402

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
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 (Landgerich Köln Germany).	-	Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway, the Netherlands and Germany.	Cases are in the uncovering evidence stage. In the case in England, mediation was held with nearly all the airlines involved in the aim of attempting to reach an agreement. It began in September, and LATAM Airlines Group S.A. reached an agreement for approximately GBP 636,000. A settlement was signed in December 2018 and payment was made in January 2019. This concluded the claim for all class-action plaintiffs except one, with whom negotiations continue. The amount is undetermined, but small.	-0-
Aerolinhas Brasileiras S.A.	Federal Justice.	0008285-53.2015.403.6105	An action seeking to quash a decision and petioning for early protection in order to obgain a revocation of the penalty imposed by the Brazilian Competition Authority (CADE) in the investigation of cargo airlines alleged fair trade violations, in particular the fuel surcharge.	This action was filed by presenting a guaranty – policy – in order to suspend the effects of the CADE's decision regarding the payment of the following fines: (i) ABSA:ThUS$10,479; (ii) Norberto Jochmann: ThUS$201; (iii) Hernan Merino: ThUS$ 102; (iv) Felipe Meyer :ThUS$ 102. The action also deals with the affirmative obligation required by the CADE consisting of the duty to publish the condemnation in a widely circulating newspaper. This obligation had also been stayed by the court of federal justice in this process. Awaiting CADE's statement. ABSA began a judicial review in search of an additional reduction in the fine amount. In December 2018, the Federal Court Judge ruled against ABSA, indicating that it will not apply an additional reduction to the fine imposed. We are now awaiting publication of the Judge's ruling to file our appeal against it.	10,541

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Aerolinhas Brasileiras S.A.	Federal Justice.	0001872-58.2014.4.03.6105	An annulment action with a motion for preliminary injunction, was filed on 28/02/2014, in order to cancel tax debts of PIS, CONFINS, IPI and II, connected with the administrative process 10831.005704/2006.43.	We have been waiting since August 21, 2015 for a statement by Serasa on TAM's letter of indemnity and a statement by the Union. The statement was authenticated on January 29, 2016. A petition on evidence and replications were filed on June 20, 2016. A new insurance policy was submitted on March 3, 2016 with the change to the guarantee requested by PGFN, which was declared on June 3, 2016. A decision is pending.	14,083
Tam Linhas Aéreas S.A.	Department of Federal Revenue of Brazil	19515.720476/2015-83	Alleged irregularities in the SAT payments for the periods 01/2011 to 12/2012	The lawsuit was converted into a measure in January 2018. A statement will be made after the prosecutor's measure has concluded. The Brazilian Administrative Council of Tax Appeals (CARF) issued a decision in favor of the Company on September 22, 2018. We are currently expecting that the Ministry of Finance of Brazil will appea.	59,317
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 collect the Air Fund.	Unfavorable court decision in first instance. Currently expecting the ruling on the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered for ThUS$106. The court decision requesting that the Expert make all clarifications requested by the parties in a period of 30 days was published on March 29, 2016. The plaintiffs' submitted a petition on June 21, 2016 requesting acceptance of the opinion of their consultant and an urgent ruling on the dispute. No amount additional to the deposit that has already been made is required if this case is lost.	88,421

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
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) Declared on DCOMPs.	The objection (*manifestação de inconformidade*) filed by the company was rejected, which is why the voluntary appeal was filed. The case was assigned to the 1st Ordinary Group of Brazil's Administrative Council of Tax Appeals (CARF) on June 8, 2015. TAM's appeal was included in the CARF session held August 25, 2016. An agreement that converted the proceedings into a formal case was published on October 7, 2016.	57,287
Aerovías de Integración Regional, AIRES S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01	The July 30th , 2012 Aerovías de Integración Recional, Aires S.A. (LATAM AIRLINES COLOMBIA) 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 LATAM AIRLINES COLOMBIA arising from breach of contractual obligations of the aircraft HK-4107. The June 20th , 2013 AIRES SA And / Or LATAM 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 LATAM AIRLINES COLOMBIA customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.	This case is being heard by the 45th Civil Court of the Bogota Circuit in Colombia. Statements were taken from witnesses presented by REGIONAL ONE and VAS on February 12, 2018. The court received the expert opinions requested by REGIONAL ONE and VAS and given their petition, it asked the experts to expand upon their opinions. It also changed the experts requested by LATAM AIRLINES COLOMBIA. . The case was brought before the Court on September 10, 2018 and these rulings are pending processing so that a new hearing can be scheduled. On October 31, 2018, the judge postponed the deadline for the parties to answer the objection because of a serious error brought to light by VAS regarding the translation submitted by the expert. On March 26, 2014, the Federal Court in the State of Florida, USA, approved the petition by LATAM Airlines Colombia to suspend the case in the United States until the lawsuit under way in	12,443

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Aerovías de Integración Regional, AIRES S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01 (Continuation)		Colombia was decided. The U.S. judge also closed the case administratively. Based on the petition by Regional One, the Federal Court in the State of Florida, USA, lifted the suspension of the case on July 11, 2018 and returned the case to the State Court. At the same time, VAS filed suit against LATAM AIRLINES COLOMBIA at the end of May 2018 seeking an indemnity because of the lawsuit by Regional One against VAS due to contract default. According to the requirements for civil suits in Florida, VAS has only claimed damages from LATAM AIRLINES COLOMBIA totaling more than US$15,000. The VAS lawsuit and Regional One lawsuit have been consolidated before the same State Court, which has set the trial by jury for September 19, 2019. A reconciliation hearing was held on December 10, 2018 that was attended by all parties, but no agreement was reached. The claim is continuing forward. It is possible that later on, the amount petitioned in the case may vary. Any change will be reported in due course. In the meantime, the State Court has yet to render a decision on the motions by LATAM Airlines Colombia to dismiss both the Regional One and VAS claims because they have no legal basis.	
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 17th, 2014. A first-instance ruling was rendered on June 1, 2016 that was partially favorable. The separate fine was revoked. A voluntary appeal was filed on June 30, 2016, which is pending a decision by CARF. On January 9, 2016, the case was referred to the Second Division, Fourth Chamber, of the Third Section of the Administrative Council of Tax Appeals (CARF).	65,914

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A.	Sao Paulo Labor Court, Sao Paulo	1001531-73.2016.5.02.0710	The Ministry of Labor filed an action seeking that the company adapt the ergonomics and comfort of seats.	In August 2016, the Ministry of Labor filed a new lawsuit before the competent Labor Court in Sao Paulo, in the same terms as case 0000009-45.2016.5.02.090, as previously reported, the hearing date is set for October 22, 2018.	16,575
LATAM Airlines Group S.A.	22° Civil Court of Santiago	C-29.945-2016	The Company received notice of a civil liability claim by Inversiones Ranco Tres S.A. on January 18, 2017. It is represented by Mr. Jorge Enrique Said Yarur. It was filed against LATAM Airlines Group S.A. for an alleged contractual default by the Company and against Ramon Eblen Kadiz, Jorge Awad Mehech, Juan Jose Cueto Plaza, Enrique Cueto Plaza and Ignacio Cueto Plaza, directors and officers, for alleged breaches of their duties. In the case of Juan Jose Cueto Plaza, Enrique Cueto Plaza and Ignacio Cueto Plaza, it alleges a breach, as controllers of the Company, of their duties under the incorporation agreement. LATAM has retained legal counsel specializing in this area to defend it.	The claim was answered on March 22, 2017 and the plaintiff filed its replication on April 4, 2017. LATAM filed its rejoinder on April 13, 2017, which concluded the argument stage of the lawsuit. A reconciliation hearing was held on May 2, 2017, but the parties did not reach an agreement. The Court issued the evidentiary decree on May 12, 2017. We filed a petition for reconsideration because we disagreed with certain points of evidence. That petition was partially sustained by the Court on June 27, 2017. The evidentiary stage commenced and then concluded on July 20, 2017. Observations to the evidence must now be presented. That period expires August 1, 2017. We filed our observations to the evidence on August 1, 2017. We were served the decision on December 13, 2017 that dismissed the claim since LATAM was in no way liable. The plaintiff filed an appeal on December 26, 2017. We are currently waiting for the case to be heard by the Court of Appeals.	19,080
TAM Linhas Aéreas S.A.	10th Jurisdiction of Federal Tax Enforcement of Sao Paulo	0061196-68.2016.4.03.6182	Tax Enforcement Lien No. 0020869-47.2017.4.03.6182 on Profit-Based Social Contributions from 2004 to 2007.	This tax enforcement was referred to the 10th Federal Jurisdiction on February 16, 2017. A petition reporting our request to submit collateral was recorded on April 18, 2017. At this time, the period is pending for the plaintiff to respond to our petition. The bond was replaced.	39,222

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A.	Federal Revenue Bureau	10880.900360/2017-55	A claim regarding the negative Company Income Tax (IRPJ) balance. Appraisals of compensation that were not accepted.	The case was referred to the National Claims Management Center of the Federal Revenue Bureau for Sao Paulo on May 11, 2017. The administrative case was closed in favor of the company and its right to a credit was recognized on June 15, 2018.	-0-
TAM Linhas Aéreas S.A.	Internal Revenue Service of Brazil	16643.000085/2009-47	Notice of claim to recover income taxes and social contributions paid on the basis of net profits (SCL) according to the royalty expenses and use of the TAM trademark.	Before the Internal Revenue Service of Brazil. A service of process is expected in the lawsuit on admissibility of the special appeal, filed by the General Counsel of the National Treasury, as well as notification of the decision rendered by the Administrative Council of Tax Appeals (CARF). The decision was made to file a lawsuit on December 5, 2017.	15,590
TAM Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10831.012344/2005-55	Notice of an infringement filed by the Company to request the import tax (II), the Social Integration Program (PIS) of the Social Security Funding Contribution (COFINS) as a result of an unidentified international cargo loss.	Before the Internal Revenue Service of Brazil. The administrative decision was against the company. The matter is pending a decision by the CARF.	15,649
TAM Linhas Aéreas S.A.	DERAT SPO (Delegacía de Receita Federal)	13808.005459/2001-45	Collection of the Social Security Funding Contribution (COFINS) based on gross revenue of the company in the period 1999-2000.	The decision on collection was pending through June 2, 2010.	23,720
TAM Linhas Aéreas S.A.	Federal Revenue Bureau	10880.938.664/2016-12	An administrative lawsuit about compensation not being proportional to the negative corporate income tax balance.	A decision is pending by CARF on the appeal. The Company's right to its credit was recognized on November 21, 2018, which closed the administrative process in its favor.	-0-
TAM Linhas Aéreas S.A.	Delegacía de Receita Federal	10611.720630/2017-16	This is an administrative claim about a fine for the incorrectness of an import declaration (new lawsuit).	The administrative defensive arguments were presented September 28, 2017. A ruling on the defense is currently pending in this lawsuit.	20,155

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A	Delegacía de Receita Federal	10611.720852/2016-58	An improper charge of the Contribution for the Financing of Social Security (COFINS) on an import (new lawsuit).	We are currently awaiting a decision. There is no predictable decision date because it depends on the court of the government agency.	14,501
TAM Linhas Aéreas S.A	Delegacía de Receita Federal	16692.721.933/2017-80	The Internal Revenue Service of Brazil issued a notice of violation because TAM applied for credits offsetting the contributions for the Social Integration Program (PIS) and the Social Security Funding Contribution (COFINS) that do not bear a direct relationship to air transport.	We are awaiting the presentation of an administrative defense. An administrative defense was presented on May 29, 2018.	30,954
SNEA (Sindicato Nacional das empresas aeroviárias)	União Federal	0012177-54.2016.4.01.3400	A claim against the 72% increase in airport control fees (TAT-ADR) and approach control fees (TAT-APP) charged by the Airspace Control Department (“DECEA”).	A decision is now pending on the appeal presented by SNEA.	42,423
TAM Linhas Aéreas S/A	União Federal	2001.51.01.020420-0	TAM and other airlines filed a recourse claim seeking a finding that there is no legal or tax basis to be released from collecting the Additional Airport Fee (“ATAERO”).	A decision by the superior court is pending. The amount is indeterminate because even though TAM is the plaintiff, if the ruling is against it, it could be ordered by the trial judge to pay certain fees	-0-
TAM Linhas Aéreas S/A	Delegacia da Receita Federa	10880-900.424/2018-07	This is a claim for a negative Legal Entity Income Tax (IRPJ) balance for the 2014 calendar year (2015 fiscal year) because set-offs were not allowed.	The administrative defensive arguments were presented March 19, 2018. An administrative decision is now pending.	16,959
TAM linhas Aérea S/A	International Centre for dispute resolution (“ICDR”)	01-18-0000-6332	Arbitration filed by Airbus S.A.S., Airbus North America Customer Services, Inc. and Allianz Corporate & Specialty SE (France) against AIG Europe Limited (“AIG”), TAM S.A. (“TSA”) and TAM Linhas Aéreas S.A. (“TLA”). In 2008, the parties exchanged draft agreements on sharing the costs of any indemnity for certain claims related to the Flight JJ3054 accident, but they did not reach an agreement, so the draft was never finalized or executed. Despite this, Airbus and its insured filed a formal arbitration	On January 31, 2018, Airbus S.A.S., Airbus North America Customer Services, Inc. and Allianz Corporate & Specialty SE (France) filed an arbitration claim with the International Centre for Dispute Resolution against AIG Europe Limited (“AIG”), TAM S.A. (“TSA”) and TAM Linhas Aéreas S.A. (“TLA”) seeking a decision on the validity of a shared-defense agreement that had been discussed but never finalized or executed by the parties. The plaintiffs allege that the parties exchanged enough	12,200

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A	International Centre for dispute resolution (“ICDR”)	01-18-0000-6332 (Continuation)	claim and served AIG, TSA and TLA as defendants, seeking a decision on the validity of the agreement as well as a damage indemnity to Airbus because it could not share its defense with TAM. TAM has retained legal counsel in Switzerland, Brazil and the United States to handle this claim.	correspondence and drafts to reflect the terms of a contract. Based on this alleged contract, they are demanding that TAM reimburse Airbus a sum of approximately ThUS$9.2 for settlement costs and ThUS$3 for legal fees, in addition to interest and any other amount decided by the Arbitrator On October 8, 2018, the plaintiffs filed a formal complaint that contained declarations by their supporting experts. On November 7, 2018, the Arbitrator issued a procedural ruling dividing the jurisdiction phase from the grounds-for-arbitration phase, thus expressing his agreement with the arguments by TSA and TLA as well as AIG. After a petition agreed by all parties, the Arbitrator postponed the deadline of December 14, 2018 while the parties held reconciliation negotiations. Finally, in December 2018, the parties agreed to hold a meeting to discuss a potential settlement that resulted in an agreement whereby Allianz Corporate & Speciality SE will pay AIG US$95 million toward the loss already settled by AIG for the accident. In exchange, all lawsuits and arbitration claims will be withdrawn at no additional cost to LATAM. The insurance companies are now in the process of obtaining the approvals required from the signatories of the agreement and the case is expected to be closed in the first half of 2019. The arbitration is temporarily on hold until the agreement is concluded.	
TAM Linhas Aéreas S/A	Delegacía de Receita Federal	19515-720.823/2018-11	An administrative claim to collect alleged differences in SAT payments for the periods 11/2013 to 12/2017.	A defense was presented on November 28, 2018. We are now awaiting the administrative ruling.	118,558

- In order to deal with any financial obligations arising from legal proceedings in effect at December 31, 2018, 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 21.

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

(*) The Company has reported the amounts involved only for the lawsuits for which a reliable estimation can be made of the financial impacts and of the possibility of any recovery, pursuant to Paragraph 86 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

II. Governmental Investigations.

1) On July 25, 2016, LATAM reached agreements with the *U.S. Department of Justice* ("DOJ") and the *U.S. Securities and Exchange Commission* ("SEC") regarding the investigation of payments for US$1,150,000 by Lan Airlines S.A. in 2006-2007 to a consultant advising it in the resolution of labor matters in Argentina.

The purpose of the investigation was to determine whether these payments violated the U.S. Foreign Corrupt Practices Act ("FCPA") that: (i) forbids bribery of foreign government authorities in order to obtain a commercial advantage; and (ii) requires the companies that must abide by the FCPA to keep appropriate accounting records and implant an adequate internal control system. The FCPA is applicable to LATAM because of its ADR program in effect on the U.S. securities market.

After an exhaustive investigation, the DOJ and SEC concluded that there was no violation of the bribery provisions of the FCPA, which is consistent with the results of LATAM's internal investigation. However, the DOJ and SEC consider that LAN accounted for these payments incorrectly and, consequently, infringed the part of the FCPA requiring companies to keep accurate accounting records. These authorities also consider that LAN's internal controls in 2006-2007 were weak, so LAN would have also violated the provisions in the FCPA requiring it to maintain an adequate internal control system.

The agreements signed, included the following:

(a) The agreement with the DOJ involves: (i) entering into a Deferred Prosecution Agreement ("DPA"), which is a public contract under which the DOJ files public charges alleging an infringement of the FCPA accounting regulations. LATAM is not obligated to answer these charges, the DOJ will not pursue them for a period of 3 years, and the DOJ will dismiss the charges after expiration of that 3-year period provided LATAM complies with all terms of the DPA. In exchange, LATAM must admit to the negotiated events described in the DPA and agree to pay the negotiated fine explained below and abide by other terms stipulated in the agreement; (ii) clauses in which LATAM admits that the payments to the consultant in Argentina were incorrectly accounted for and that at the time those payments were made (2006-2007), it did not

have adequate internal controls in place; (iii) LATAM's agreement to have an outside consultant monitor, evaluate and report to the DOJ on the effectiveness of LATAM's compliance program for a period of 27 months; and LATAM's agreement to continue evaluating and reporting directly to the DOJ on the effectiveness of its compliance program for a period of 9 months after the consultant's work concludes; and (iv) LATAM paid a fine of ThUS$12,750.

(b) The agreement with the SEC involves: (i) accepting a Cease and Desist Order, which is an administrative resolution of the SEC closing the investigation, in which LATAM will accept certain obligations and statements of fact that are described in the document; (ii) accepting the same obligations regarding the consultant mentioned above; and (iii) LATAM paid a fine of ThUS$6,744 and interest of ThUS$2,694.

NOTE 32 – COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 767F, 777F 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, for which, in any case non-compliance does not generate acceleration of the loans.

Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership, in relation to the ownership structure and the controlling group, and disposal of the assets which mainly refers to important transfers of assets.

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.

The revolving credit facility ("Revolving Credit Facility") with aircraft, engines, parts and supplies guaranteed for a total available amount of US$ 600 million, contemplates minimum liquidity restrictions, measured at the level of the Consolidated Company and measured at the for companies LATAM Airlines Group SA and TAM Linhas Aéreas S.A., which remain standby while the credit line is not used. As of December 31, 2018 and 2017 this line of credit established with a consortium of eleven banks led by Citibank, is not used.

As of December 31, 2018 and 2017, the Company is in compliance with all the indicators detailed above.

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(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

Lessor	Aircraft	As of December 31, 2018	As of December 31, 2017
ACS Aero 1 Alpha Limited	Airbus A320	-	1
Aircraft 76B-26329 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 62 Limited	Boeing 777	1	1
Avolon Aerospace AOE 99 Limited	Airbus A320	1	-
Avolon Aerospace AOE 100 Limited	Airbus A320	1	2
Avolon Aerospace AOE 134 Limited	Airbus A321	2	-
AWAS 5234 Trust	Airbus A320	1	1
Baker & Spice Aviation Limited	Airbus A320	-	1
Bank of America	Airbus A321	2	2
Bank of Utah	Airbus A320	1	-
Bank of Utah	Airbus A350	1	-
Bank of Utah	Boeing 787	2	2
Boeing Aircraft Holding Company	Boeing 777	2	-
Castlelake	Airbus A319	1	1
Chishima Real State Co., Ltd.	Airbus A321	1	-
ECAF I 2838 DAC	Airbus A320	1	1
ECAF I 40589 DAC	Boeing 777	1	1
Eden Irish Aircr Leasing MSN 1459	Airbus A320	-	1
IC Airlease One Limited	Airbus A321	1	1
JSA Aircraft 38484, LLC	Boeing 787	1	1
JSA Aircraft 7126, LLC	Airbus A320	1	1
JSA Aircraft 7128, LLC	Airbus A321	1	1
JSA Aircraft 7239, LLC	Airbus A321	1	1
JSA Aircraft 7298, LLC	Airbus A321	1	1
Macquarie Aerospace Finance 5125-2 Trust	Airbus A320	1	1
Macquarie Aerospace Finance 5178 Limited	Airbus A320	1	1
Merlin Aviation Leasing (Ireland) 18 Limited	Airbus A320	1	1
Merlin Aviation Leasing (Ireland) 7 Limited	Airbus A320	-	1
NBB Crow Co.,Ltd	Boeing 787	1	-
NBB Cuckoo Co., Ltd	Airbus A321	1	1
NBB Grosbeak Co., Ltd	Airbus A321	1	1
NBB Redstart Co. Ltd	Airbus A321	1	1
NBB-6658 Lease Partnership	Airbus A321	1	1
NBB-6670 Lease Partnership	Airbus A321	1	1
Orix Aviation Systems Limited	Airbus A320	4	4
PAAL Aquila Company Limited	Airbus A321	2	2
Sapphire Leasing I (AOE 7) Limited	Airbus A320	1	1
Shenton Aircraft Leasing Limited	Airbus A320	1	1
Sky High XXIV Leasing Company Limited	Airbus A320	5	5
Sky High XXV Leasing Company Limited	Airbus A320	2	2
SMBC Aviation Capital Limited	Airbus A320	4	4
SMBC Aviation Capital Limited	Airbus A321	2	2
Wells Fargo Trust Company, N.A.	Airbus A319	1	2
Wells Fargo Trust Company, N.A.	Airbus A320	10	11
Wells Fargo Trust Company, N.A.	Airbus A350	2	2
Wells Fargo Trust Company, N.A.	Boeing 767	1	2
Wells Fargo Trust Company, N.A.	Boeing 777	4	4
Wells Fargo Trust Company, N.A.	Boeing 787	10	11
Wilgmington Trust SP Services (Dublin) Limited	Airbus A350	1	-
Total		94	93

The rentals are shown in results for the period for which they are incurred.

The minimum future lease payments not yet payable are the following:

	As of December 31, 2018 ThUS$	As of December 31, 2017 ThUS$
No later than one year	513,214	462,205
Between one and five years	1,719,490	1,620,253
Over five years	1,348,470	1,498,064
Total	3,581,174	3,580,522

The operating lease payments charged to income are the following:

	For the year ended December 31,	
	2018	2017
	ThUS$	ThUS$
Operating lease payments	538,347	579,551
Total	538,347	579,551

During 2018, through operating lease two Airbus A321-200 aircraft were added for a period of 10 years each, two aircrafts Boeing 777-200ER for a period of 1 year and two aircraft A350-900 for a period of 12 years. On the other hand, one Airbus A320-200 aircraft, one Boeing 767-300 Freighter aircraft were returned and two Boeing 777-300 Freighter aircraft were sold.

The operating lease agreements entered into by the Parent Company and its subsidiaries establish that aircraft maintenance must be carried out in accordance with the technical provisions of the manufacturer and a cost by the lessee. Additionally, for each aircraft, the lessee must purchase policies that cover the associated risk. As for the rent payments, they are unrestricted, and cannot be netted from other accounts receivable or payable by the lessor and the lessee.

The ACMI lease agreements entered into by the Parent Company and its subsidiaries establish that the costs of the aircraft, crew, maintenance and insurance are the responsibility of the lessor. As for the rent payments, they are unrestricted, and cannot be netted from other accounts receivable or payable by the lessor and the lessee.

At December 31, 2018 the Company has existing letters of credit related to operating leasing as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
GE Capital Aviation Services Limited	Lan Cargo S.A.	One letter of credit	1,100	Nov 30, 2019
Avolon Aerospace AOE 62 Limited	LATAM Airlines Group S.A.	Three letter of credit	2,167	Aug 30, 2019
Bank of America	LATAM Airlines Group S.A.	Three letter of credit	1,044	Jul 2, 2019
Bank of Utah	LATAM Airlines Group S.A.	One letter of credit	2,000	Mar 24, 2019
DVB Bank	LATAM Airlines Group S.A.	One letter of credit	886	Aug 30, 2019
GE Capital Aviation Services Ltd.	LATAM Airlines Group S.A.	Four letter of credit	14,327	Nov 30, 2019
ORIX Aviation Systems Limited	LATAM Airlines Group S.A.	Two letter of credit	7,366	Dec 11, 2019
Sky High XXIV Leasing Company	LATAM Airlines Group S.A.	Eight letter of credit	6,831	Mar 24, 2019
Wells Fargo Bank	LATAM Airlines Group S.A.	Nine letter of credit	15,160	Mar 13, 2019
Merlin Aviation Leasing (Ireland) 18 Limite	Tam Linhas Aéreas S.A.	One letter of credit	3,000	Mar 1, 2019
Shapphire Leasing (AOE) Limited	Tam Linhas Aéreas S.A.	One letter of credit	7,000	Oct 25, 2019
ACG Acquisition	Tam Linhas Aéreas S.A.	One letter of credit	852	Aug 30, 2019
			61,733	

(c) Other commitments

At December 31, 2018 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
Servicio Nacional de Aduana del Ecuador	Líneas Aéreas Nacionales del Ecuador S.A.	Three letter of credit	1,705	Aug 5, 2019
Corporación Peruana de Aeropuertos y Aviación Comercial	Lan Perú S.A.	Twenty four letter of credit	3,475	Feb 18, 2019
Lima Airport Partners S.R.L.	Lan Perú S.A.	Twenty three letter of credit	2,263	Sep 17, 2019
Superintendencia Nacional de Aduanas y de Administración Tributaria	Lan Perú S.A.	Seventeen letter of credit	136,000	Feb 10, 2019
Aena Aeropuertos S.A.	LATAM Airlines Group S.A.	Four letter of credit	2,770	Nov 15, 2018
American Alternative Insurance Corporation	LATAM Airlines Group S.A.	Six letter of credit	3,690	Apr 5, 2019
Citibank N.A.	LATAM Airlines Group S.A.	One letter of credit	27,226	Dec 20, 2019
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	9,734	Dec 31, 2019
Deutsche Bank A.G.	LATAM Airlines Group S.A.	One letter of credit	5,000	Mar 31, 2019
Dirección General de Aeronáutica Civil	LATAM Airlines Group S.A.	Fifty three letter of credit	19,918	Jan 30, 2019
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	LATAM Airlines Group S.A.	One letter of credit	5,500	Jun 18, 2019
Metropolitan Dade County	LATAM Airlines Group S.A.	Eight letter of credit	2,273	Mar 13, 2019
Conselho Administrativo de Conselhos Federais	Tam Linhas Aéreas S.A.	Two letter of credit	1,626	Nov 24, 2020
Procon	Tam Linhas Aéreas S.A.	One letter of credit	1,309	Apr 1, 2021
União Federal	Tam Linhas Aéreas S.A.	Two letter of credit	3,217	Sep 28, 2021
Vara da Fazenda Pública da Comarca do Rio de Janeiro - RJ	Tam Linhas Aéreas S.A.	One letter of credit	1,047	Sep 27, 2023
Vara das Execuções Fiscais Estaduais	Tam Linhas Aéreas S.A.	Four letter of credit	8,541	May 23, 2021
Procon	ABSA linhas Aereas Brasileira S/A	One letter of credit	10,495	May 19, 2020
Vara Federal da Subseção de Campinas SP	ABSA linhas Aereas Brasileira S/A	One letter of credit	5,457	Oct 20, 2021
Conselho Administrativo de Conselhos Federais	ABSA linhas Aereas Brasileira S/A	One letter of credit	15,919	Feb 22, 2021
			267,165	

NOTE 33 - 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	Nature of related parties transactions	Currency	Transaction amount with related parties As of December 31, 2018	2017
						ThUS$	ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	Tickets sales	CLP	16	18
65.216.000-K	Comunidad Mujer	Related director	Chile	Tickets sales	CLP	-	14
78.591.370-1	Bethia S.A and subsidiaries	Related director	Chile	Services received of cargo transport	CLP	1,778	1,643
				Services received from National and International Courier	CLP	(85)	(382)
				Services provided of cargo transport	CLP	-	(17)
				Sales commissions	CLP	(821)	(761)
				Services received of transfer of passengers	CLP	112	-
				Services received advertising	CLP	(1,025)	-
79.773.440-3	Transportes San Felipe S.A	Related director	Chile	Tickets sales	CLP	- 0	1
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	Tickets sales	CLP	51	72
Foreign	Consultoría Administrativa Profesional S.A. de C.V.	Associate	Mexico	Professional counseling services received	MXN	-	(2,357)
Foreign	Inversora Aeronáutica Argentina	Related director	Argentina	Property leases received	ARS$	(231)	(251)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Common shareholder	Brazil	Services provided	BRL	62	45
				Services received of cargo transport	BRL	8	-
				Services received at airports	BRL	(2)	(39)
Foreign	Qatar Airways	Indirect shareholder	Qatar	Services provided by aircraft lease	US$	21,321	31,707
				Interlineal received service	US$	(6,345)	(2,139)
				Interlineal provided service	US$	8,635	5,279
				Services provided of handling	US$	1,392	1,002
				Services provided / received others	US$	1,805	-

The balances of Accounts receivable and accounts payable to related parties are disclosed in Note 9.

Transactions between related parties have been carried out under market 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 (Senior).

	For the year ended December 31,	
	2018	2017
	ThUS$	ThUS$
Remuneration	14,841	17,826
Management fees	307	468
Non-monetary benefits	748	740
Short-term benefits	45,653	36,970
Long-term benefits	2,412	-
Share-based payments	(7,210)	13,173
Termination benefits	1,404	-
Total	58,155	69,177

NOTE 34 - SHARE-BASED PAYMENTS

(a) Compensation plan for increase of capital

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 2013 not current as of this date

At the Extraordinary Shareholders' Meeting held on June 11, 2013, the shareholders of the Company approved, among other matters, the increase in the share capital, of which 1,500,000 shares were allocated to compensation plans for the employees of the Company. Company and its subsidiaries, in accordance with the provisions of Article 24 of the Law on Public Limited Companies.

On June 11, 2018, expired the term to subscribe said actions, which were neither subscribed nor paid, reducing the capital of full rights.

(b) Compensation plan 2016-2018

The company implemented a retention plan long-term for executives, which lasts until December 2018, with a vesting period between October 2018 and March 2019, which consists of an extraordinary bonus whose calculation formula is based on the variation the value to experience the action of LATAM Airlines Group S.A. for a period of time.

This benefit is recorded in accordance with the provisions of IFRS 2 "Payments based on shares" and has been considered as a cash settled award and, therefore, recorded at fair value as a liability, which is updated at the closing date. of each financial statement with effect on the result of the period.

	Base Units				
Periods	Opening balance	Granted	Annulled	Exercised	Closing Balance
From January 1 to December 31, 2017	4,719,720	37,359	(1,193,286)	(630,897)	2,932,896
From January 1 to December 31, 2018	2,932,896	-	(171,419)	(1,168,700)	1,592,777

The fair value has been determined on the basis of the best estimate of the future value of the Company share multiplied by the number of units granted bases.

As of December 31, 2018 and 2017, the amount recorded is ThUS $ (7,210) and 13,173, respectively, classified under the line "Administrative expenses" of the Consolidated Income Statement by function.

(c) Subsidiaries compensation plans

(c.1) Stock Options

Multiplus S.A., subsidiaries of TAM S.A., have outstanding stock options at December 31, 2018, which amounted to 247,500 shares (at December 31, 2017, the distribution of outstanding stock options amounted to 316,025 for Multiplus S.A.).

Multiplus S.A.

	3rd Grant	4th Grant	4nd Extraordinary Grant	
Description	03-21-2012	04-03-2013	11-20-2013	Total
Outstanding option number as December 31, 2017	84,249	163,251	68,525	316,025
Outstanding option number as December 31, 2018	84,249	163,251	-	247,500

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.

The acquisition of the share's rights, in both companies is as follows:

	Number of shares Accrued options		Number of shares Non accrued options	
Company	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017
Multiplus S.A.	-	247,500	-	316,025

In accordance with IFRS 2 - Payments based on shares, the fair value of the option must be recalculated and recorded in the liability of the Company, once cash payment is made (cash-settled). The fair value of these options was calculated using the "Black-Scholes-Merton" method, where the assumptions were updated with information from LATAM Airlines Group S.A. As of December 31, 2018 and 2017 there is no value recorded in liabilities and results.

(c.2) Payments based on restricted stock

In May of 2014 the Management Council of Multiplus S.A. approved a plan to grant restricted stock, a total of 91,103 ordinary, registered book entry securities with no face value, issued by the Company to beneficiaries.

The quantity of restricted stock units was calculated based on employees' expected remunerations divided by the average price of shares in Multiplus S.A. traded on the BM&F Bovespa exchange in the month prior to issue, April of 2014. This benefits plan will only grant beneficiaries the right to the restricted stock when the following conditions have been met:

a. Compliance with the performance goal defined by this Council as return on Capital Invested.

b. The Beneficiary must remain as an administrator or employee of the Company for the period running from the date of issue to the following dates described, in order to obtain rights over the following fractions: (i) 1/3 (one third) after the 2nd year from the issue date; (ii) 1/3 (one third) after the 3rd year from the issue date; (iii) 1/3 (one third) after the 4th year from the issue date.

Number shares in circulation

	Opening balance	Granted	Exercised	Not acquired due to breach of employment retention conditions	Closing balance
From January 1 to December 31, 2017	237,856	129,218	(41,801)	(15,563)	309,710
From January 1 to December 31, 2018	309,710	-	(83,958)	(8,916)	216,836

NOTE 35 - STATEMENT OF CASH FLOWS

(a) The Company has done significant non-cash transactions mainly with financial leases, which are detailed in Note 17 letter (d), additional information in numeral (iv) Financial leases.

(b) Other inflows (outflows) of cash:

	For theyear ended December 31, 2018	2017
	ThUS$	ThUS$
Fuel hedge	77,234	19,862
Hedging margin guarantees	14,755	(4,201)
Guarantees	1,573	59,988
Tax paid on bank transaction	318	(6,635)
Change reservation systems	-	(16,120)
Currency hedge	(1,282)	(17,798)
Bank commissions, taxes paid and other	(8,179)	(7,738)
Fuel derivatives premiums	(13,947)	(2,832)
Court deposits	(30,860)	(33,457)
Total Other inflows (outflows) Operation flow	39,612	(8,931)
Others deposits in guarantees	-	3,754
Tax paid on bank transaction	(2,476)	(2,594)
Others	-	(10,383)
Total Other inflows (outflows) Investment flow	(2,476)	(9,223)
Loan guarantee	-	80,615
Aircraft Financing advances	55,728	(26,214)
Settlement of derivative contracts	(11,675)	(40,695)
Total Other inflows (outflows) Financing flow	44,053	13,706

(c) Dividends:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Latam Airlines Group S.A.	(46,591)	(20,766)
Multiplus S.A. (*)	(26,029)	(45,876)
Total dividends paid	(72,620)	(66,642)

(*) Dividends paid to minority shareholders

(d) Reconciliation of liabilities arising from financing activities:

Obligations with financial institutions	As of December 31, 2017	Cash flows: Obtainment	Cash flows: Payment		Non-Flow Movements		As of December 31, 2018
		Capital	Capital	Interest	Interest accrued and others	Reclassifications	
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Loans to exporters	314,619	293,001	(202,000)	(10,467)	5,568	-	400,721
Bank loans	321,633	74,663	(167,548)	(13,961)	7,954	-	222,741
Guaranteed obligations	4,036,843	-	(315,698)	(122,639)	99,320	(1,163,805)	2,534,021
Other guaranteed obligations	242,175	704,398	(274,339)	(16,873)	18,091	-	673,452
Obligation with the public	1,584,066	-	1,561	(107,629)	75,081	-	1,553,079
Financial leases	1,109,504	-	(691,390)	(69,808)	112,743	1,163,805	1,624,854
Other loans	282,800	55,728	(88,935)	(15,978)	19,243	-	252,858
Total Obligations with financial institutions	7,891,640	1,127,790	(1,738,349)	(357,355)	338,000	-	7,261,726

(e) Advances of aircraft

Below are the cash flows associated with aircraft purchases, which are included in the statement of consolidated cash flow, in the item Purchases of properties, plants and equipment:

	For the year ended December 31, 2018	2017
	ThUS$	ThUS$
Increases (payments)	(212,163)	(205,143)
Recoveries	157,508	103,065
Total cash flows	(54,655)	(102,078)

f) The net effect by the hyperinflation application in the consolidated statement of cash flow for the exercise ended December 31, 2018 corresponds to:

	ThUS$
Net cash flows from (used in) operating activities	6,088
Net cash flows from (used in) investment activities	(17,611)
Net cash flows from (used in) financing activities	3,914
Effects of variation in the exchange rate on cash and cash equivalents	7,609
Net increase (decrease) in cash and cash equivalents	-

NOTE 36 - THE ENVIRONMENT

LATAM Airlines Group S.A has a commitment to sustainable development seeking to generate value taking into account the governance, environmental and social aspects. The company manages environmental issues at a corporate level, centralized in the Sustainability Management. For the company to monitor and minimize its impact on the environment is a commitment of the highest level; where the continuous improvement and contribute to the solution of the global climate change problem, generating added value to the company and the region, are the pillars of its management.

One of the functions of the Sustainability Management in environmental issues, together with the various areas of the Company, is to ensure environmental compliance, implement a management system and environmental programs that comply with the requirements every day more demanding worldwide; in addition to continuous improvement programs in their internal processes, which generate environmental, social and economic benefits and which are added to those currently carried out.

Within the sustainability strategy, the Environment dimension of LATAM Airlines Group S.A., is called Climate Change and is based on the goal of achieving world leadership in this area, and for which we work on the following aspects:

i. Carbon footprint
ii. Eco Efficiency
iii. Sustainable Alternative Energy
iv. Standards and Certifications

This is how, during 2018, the following initiatives have been carried out:

- Implementation of an Environmental Management System for the main operations of the company. It is highlighted that the company during 2016 has recertified its environmental management system in Miami facilities following the guidelines of the international standard ISO 14.001. During 2018, the system will be recertified with the new version of the standard.
- Maintenance of the Stage 2 Certification of IATA Environmental Assessment (IEnvA) whose scope is the international flights operated from Chile, the most advanced level of this certification; being the first in the continent and one of the four airlines in the world that have this certification.
- During 2018, the Colombian operation achieved its certification in Stage 1 of IEnvA.
- Preparation of the environmental chapter for the sustainability report of the company, which allows to measure progress in environmental issues.
- Answer to the questionnaire of the DJSI.
- Measurement and external verification of the Corporate Carbon Footprint.
- Neutralization of land operations in the operations of Colombia and Peru with emblematic reforestation projects in the respective countries.
- In the second semester of 2018 the facilities of the maintenance base and the corporate building of the operations in Chile have 100% electric power from renewable sources

It is highlighted that in 2018, LATAM Airlines Group maintained its inclusion for the fifty consecutive year in the world category of the Dow Jones Sustainability Index, with only 3 airlines in the world belonging to this select group.

NOTE 37 - EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

On February 11, 2019, LATAM Finance Limited, a company incorporated in the Cayman Islands with limited liability and exclusively owned by LATAM Airlines Group S.A., has issued in the international market, pursuant to Rule 144-A and Regulation S of the securities laws of the United States of America, long-term unsecured bonds in the nominal amount of US$ 600,000,000 at an annual interest rate of 7.00%. The bonds were placed at an offer price of 99.309%. The bonds will mature on March 1, 2026, unless they have been redeemed in advance in accordance with their terms. As reported to the market, the issue and placement of the bonds was intended to finance general corporate purposes.

On February 28, 2019, the company TAM, a subsidiary of LATAM Ailines Group SA, received an official letter from the Comissão de Valores Mobiliários (CMV), in which it communicates the acceptance to the request for registration of the public offer for the acquisition of shares of TAM subsidiary, Multiplus SA, corresponding to the non controlling interes of the company, which will give rise to the cancellation of the registration and exit of the special trading segment called "Novo Mercado", in case the transaction is successful. The total of the operation could be for an amount of MR $ 1,180,982 corresponding to ThUS $ 304,785.

By of the Provisional Measure 863/2018 of December 13, 2018, issued by the President of Brazil, through which the participation of up to 100% of foreign capital in airlines of that country is authorized, in February 2019 they were completed the procedures for the exchange of shares in Holdco I S.A., through which LATAM Airlines Group SA increased its indirect participation in TAM S.A., from 48.99% to 51.04%.

On December 31, 2018 and until the date of issuance of these financial statements, there is no knowledge of other financial or other events that significantly affect the balances or their interpretation.

The consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries as of December 31, 2018, have been approved in an Extraordinary Board Meeting on March 12, 2019.

AFFILIATES AND SUBSIDIARIES

LATAM AIRLINES GROUP S.A

Name: LATAM Airlines Group S.A., R.U.T. 89.862.200-2

Incorporation: It was established as a limited liability company via a public deed dated December 30, 1983 before Notary Eduardo Avello Arellano; an excerpt of this deed is recorded in the Santiago Commerce Registry on page 20,341 number 11,248 of the year 1983, and published in the Official Gazette on December 31, 1983.

Pursuant to the public deed dated August 20, 1985, granted by Santiago Notary Miguel Garay Figueroa's Office, the company became a joint-stock corporation known as Línea Aérea Nacional Chile S.A. (nowadays, LATAM Airlines Group S.A.) which, by express provision of Law number 18,400, has the quality of legal follower of the state-owned company created in the year 1929 under the name Línea Aérea Nacional de Chile, pursuant to the aeronautical and radio communications concessions, traffic rights, and other administrative concessions.

Lan Chile S.A.'s Extraordinary Shareholders' Meeting agreed on July 23, 2004 to change the company's name to "Lan Airlines S.A." An excerpt of the deed to which the Minutes of said Meeting referred was recorded in the Registry of Commerce on page 25,128 number 18,764 of the year 2004 and published in the Official Gazette on August 21, 2004.

Lan Airlines S.A.'s Extraordinary Shareholders' meeting held on December 21, 2011 agreed to change the company's name to "LATAM Airlines Group S.A." An excerpt of the deed to which the Minutes of said Meeting referred was recorded in the Real Estate Registry of the Registry of Commerce on page 4,238 number 2,921 of the year 2012 and published in the Official Gazette on January 14, 2012. The effective date for the name change was June 22, 2012.

LATAM Airlines Group S.A. is ruled by the regulation applicable to open stock companies, and registered to this effect under number 0306, dated January 22, 1987, in the Securities Register of the Financial Market Commission (CMF for its Spanish acronym).

Note: A summary of the subsidiaries' Financial Statements is presented herein. The full information is available to the public in our offices and at the Financial Market Commission.

TAM S.A. AND AFFILIATES

Incorporation: Joint Stock Corporation established in Brazil in May, 1997.

Purpose: To participate as shareholder in other companies, particularly those operating scheduled air transport services on a national and international level, as well as activities connected, related, and complementary to scheduled air transport.

Paid-in Capital: ThUS$3,161,428
Profit for the period: ThUS$17,916
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 7.35%

Chairman of the Board:
Jerome Paul Jacques Cadier

Board Members:
Felipe Ignacio Pumarino Mendoza - Finance Director
Jerome Paul Jacques Cadier – Chairman and Commercial Director
Sérgio Fernando Bernardes Novato – Head of Operations

TAM S.A. AFFILIATE COMPANIES

TAM Linhas Aereas S.A. and affiliates

Individualization: Joint Stock Corporation established in Brazil.

Purpose: (a) Operate scheduled air transport services for passengers, cargo, or baggage, pursuant to current legislation; (b) Operate complementary activities for air transport services for passengers, cargo, and baggage; (c) Provide services for maintenance, aircraft repair (own and third-party airplanes), engines, and parts; (d) Provide aircraft hangar services; (e) Provide runway services, on-board provision of aircraft cleaning services; (f) Provide engineering, technical assistance, and other related services for the aviation industry; (g) Provide instruction and training related to aviation activities; (h) Analyze and develop programs and systems; (i) Purchase and sell spare parts, accessories, and aeronautical equipment; (j) Develop and perform other related, correlated, or complementary activities for air transport, in addition to those expressly listed above; (k) Import and export finished lubricant; and (l) Operate bank correspondent services.

Paid-in Capital: ThUS$630,970
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 4.14548%

Chairman of the Board:
Jerome Paul Jacques Cadier

Board Members:
Jefferson Cestari - Finance Director
Sérgio Fernando Bernardes Novato – Head of Operations

ABSA: Aerolinhas Brasileiras S.A. and affiliate

Individualization: Joint Stock Corporation established in Brazil.

Purpose: (a) Operate scheduled air transport services for domestic and international passengers, cargo, and correspondence, pursuant to current legislation;

(b) Operate auxiliary activities for air transport, such as service, cleaning, and hauling aircraft, load monitoring, operational flight dispatch, check-in and check-out, and other services established within its own legislation;

(c) commercial and operational leasing, as well as air charter services;

(d) Operate maintenance and marketing services for aircraft spare parts and equipment; and

(e) Develop and carry out other related, correlated, and complementary activities for air transport, in addition to those enumerated above.

Paid-in Capital: ThUS$31,562
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.11836%

Chairman of the Board:
Jerome Paul Jacques Cadier

Board Members:
Diogo Abadio - Commercial Director
Jefferson Cestari - Finance Director

Multiplus S.A.

Individualization: Joint Stock Corporation established in Brazil.

Purpose: i. To develop and manage the customer loyalty program based on consumption of goods and services offered by the Company's business partners; ii. To trade the award redemption rights pursuant to the framework of the customer loyalty program; iii. To create databases of both individuals and companies; iv. To obtain and process transaction information regarding consumption patterns; v. To represent other companies, both Brazilian and foreign; and vi. To provide auxiliary services for the trade of goods and products, including, but not limited to, importing and exporting said goods and products and, in addition to the acquisition of related items and products, directly or indirectly, to achieve the abovementioned activities.

Paid-in Capital: ThUS$27,692
Stake in 2018: 72.74%
YOY variation: 0.00%
% of Holding assets: 1.40105%

Chairman of the Board:
Antônio Luiz Rios Da Silva

Board Members:
Claudia Sender Ramirez
Jerome Paul Jacques Cadier
Ricardo Camargo Veirano
Aline De Almada Messias
Elcio Anibal De Lucca

Transportes Aereos del Mercosur S.A.
Individualization: Joint Stock Corporation established in Paraguay.

Purpose: It has a broad corporate purpose that includes aeronautical, commercial, tourist, service, financial, representation, and investment activities, with a focus on scheduled and charter, domestic and international, aeronautical transportation activities for people, objects, and/or correspondence, among others, as well as commercial and maintenance and technical assistance services for all types of aircraft, equipment, accessories, and material for airworthiness, among others.

Paid-in Capital: ThUS$14,717
Stake in 2018: 94.98%
YOY variation: 0.00%
% of Holding assets: 0.52212%

Chairman of the Board
Rosario Altgelt

Board Members
Executive: Enrique Alcaide Hidalgo
Permanent Member: Esteban Burt
Permanent Member: Diego Martínez
Permanent Member: Dario Maciel Martinez

Managers
Enrique Alcaide Hidalgo
Esteban Burt Artaza
Diego Martinez
Maria Emiliana Duarte León
Luis Galeano

Corsair Participações Ltda
Individualization: Joint Stock Corporation established in Brazil.

Purpose: (i) To participate in other civil or trade companies, as a shareholder or creditor; and (ii) To manage its own assets.

Paid-in Capital: ThUS$49
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00640%

Chairman of the Board:
None

Board Members:
Claudia Sender Ramirez

TP Franchising Limited
Individualization: Limited Liability Company established in Brazil.

Purpose: (a) to award franchises; (b) to temporarily award its franchisees, free of charge or for a fee, the right to use its brands, systems, knowledge, methods, patents, actuation technology, and any other rights, stakes, or assets, movable or immovable, tangible or intangible, owned by the Company, as present or future owner or licensee, for the development, implementation, operation, or management of the franchises that it may grant;

(c) to develop any and all necessary activities to ensure, insofar as possible, the ongoing maintenance and perfecting of the actuation patterns of its franchise network;

(d) to develop implementation, operation, and management models for its franchise network and their transfer to the franchisees; and

(e) the distribution, sale, and marketing of airfares and related products, as well as any related or accessory business to its main objective, while also able to participate in other companies as partner or shareholder, either in Brazil or Abroad, or in consortiums, as well as to carry out its own projects, or form partnerships with third parties in their projects, even to obtain tax benefits, pursuant to current legislation.

Paid-in Capital: ThUS$8
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00336%

Managers:
Claudia Sender Ramirez
Marcelo Eduardo Guzzi Dezem
Daniel Levy

LAN CARGO S.A. AND AFFILIATES

Incorporation: Established as a private limited company via the public deed dated May 22, 1970, before Notary Sergio Rodriguez Garces, its incorporation was materialized through the contribution of assets and liabilities from company Linea Aerea del Cobre Limitada (Ladeco Limitada), established on September 3, 1958, before Santiago Notary Jaime Garcia Palazuelos.

Pursuant to the public deed dated November 20, 1998, and an excerpt of which has been recorded on page 30,091 number 24,117 of the Santiago Registry of Commerce and published in the Official Gazette on December 3, 1998, Ladeco S.A. was merged by incorporation into the affiliate of Lan Chile S.A. known as Fast Air Carrier S.A.

In the public deed dated October 22, 2001, wherein the Minutes from the Extraordinary Shareholders' Meeting of Ladeco S.A. held on the same date were recorded, the company's name was changed to "Lan Chile Cargo S.A." An excerpt of said deed was recorded in the Real Estate Registry of the Santiago Registry of Commerce on page 27,746 number 22,624 of the year 2001, and published in the Official Gazette on November 5, 2001. The name change became effective as of December 10, 2001.

In the public deed dated August 23, 2004, wherein the Minutes from the Extraordinary Shareholders' Meeting of Lan Chile Cargo S.A. held on August 17, 2004 were recorded, the company's name was changed to "Lan Cargo S.A." An excerpt of said deed was recorded in the Real Estate Registry of the Santiago Registry of Commerce on page 26,994 number 20,082 of the year 2004 and published in the Official Gazette on August 30, 2004.

The company has undergone various reforms, the latest of which is recorded in the public deed dated March 20, 2018 before Notary Patricio Raby Benavente, and recorded on page 28,810, number 15,276 of the Santiago Registry of Commerce for year 2018, and published in the Official Gazette on August 2, 2018, pursuant to which the number of board members was reduced.

Purpose: To perform and develop, either on its own behalf or for third parties, the following: general transportation in any form and, specifically, air transport of passengers, cargo, and correspondence, within the country and abroad; tourism, lodging, and other related activities, in any form, within the country and abroad; purchase, sale, manufacture and/or integration, maintenance, leasing, or any other form of use, be it on its own behalf or for third parties, of airplanes, spare parts, and aeronautical equipment, and their operation for any given purpose; provide all sorts of services and counseling related to transportation in general and, specifically, to air transportation in any of its forms, be it ground support, maintenance, technical assistance, or any other type, within the country and abroad, and all sorts of services and activities related to tourism, lodging, and other abovementioned activities and goods, within the country and abroad. In order to meet the abovementioned goals, the Company may perform investments or participate as partner in other companies, either by purchasing stocks or rights or stakes in any other type of corporation, be it an already established one or one created in the future, and overall, perform all acts and enter all contracts necessary and relevant to the purposes described.

Paid-in Capital: ThUS$83,226
Profit for the period: ThUS$ (16,437)
Stake in 2018: 99,898%
YOY variation: 0,00%
% of Holding assets: 1,93%

Chairman of the Board:
José Cox Donoso

Board Members:
Andrés Bianchi Urdinola (LATAM Executives)
Ramiro Alfonsin Balza (LATAM Executives)
Enrique Cueto Plaza (LATAM Executives)

General Manager:
Andrés Bianchi Urdinola (LATAM Executives)

SOCIEDADES FILIALES DE LAN CARGO S.A.

Laser Cargo S.R.L.
Individualization: Limited Liability Company established in Argentina.

Purpose: On its own behalf and/or for third parties, to provide services as an air and sea cargo agent, operation of air and sea containers, loading and unloading control of conventional aircraft, cargo aircraft, conventional ships, and container ships, consolidation and deconsolidation, operations and contracts with air, sea, river, and land cargo transport, distribution, and promotion companies, and related activities and services, imports and exports: said operations will be carried out pursuant to the laws of the country and the regulation pertaining to said professions and activities, the legal stipulations on customs, and the rules of the Argentine coast guard (PNA), Argentine air force, as well as by commissioning to third parties the performance of tasks assigned by current legislation to customs brokers; also, deposit and transfer of fruit, products, raw materials, general merchandise, and documents in general on its own behalf and/or for third parties: packaging of general merchandise, on its own behalf and/or for third parties. To perform said activities, the company may register as sea or air agent, importer and exporter, sea and air contractor and supplier before the corresponding authorities. In turn, it will carry out postal activities destined to the admission, classification, transportation, distribution, and delivery of correspondence, letters, postcards, and parcels weighing up to 50 kg, within the Argentine Republic and to or from other countries. This activity includes the tasks carried out by so-called couriers or courier companies, and all other assimilated or assimilable activities pursuant to Art. 4 of Decree 1187/93. The company may also carry out the logistics process consisting in transferring, storing, assembling, fractioning, packaging, and conditioning of general merchandise to be later transported and distributed to the end customer, as well as managing the pertinent information to fulfill this goal; that is: the logistics process from fetching the raw material from the supplier to delivering the finished product to the customer, and the information regulation to guarantee the efficiency in this management process.

Paid-in Capital: ThUS$ 68

Stake in 2018: 99.99%
YOY variation: 0.00%
% of Holding assets: 0.00007%

Board Members:
Esteban Bojanich

Administration:
Esteban Bojanich,
Rosario Altgelt
María Marta Forcada,
Facundo Rocha
Gonzalo Perez Corral
Nicolás Obejero
Norberto Díaz

Fast Air Almacenes de Carga S.A.
Individualization: Joint Stock Corporation established in Chile.

Purpose: To operate or manage the warehouses or storage facilities of customs deposits, where any type of good or merchandise can be stored until its withdrawal, for imports, exports, or other customs destination, pursuant to the terms stated within the Customs Ordinance, its rules, and other corresponding regulation.

Paid-in Capital: ThUS$6,741
Stake in 2018: 99.89%
YOY variation: 0.00%
% of Holding assets: 0.04290%

Board Members:
Ramiro Alfonsín Balza (LATAM Executive)
Andrés Bianchi Urdinola (LATAM Executives)
Roberto Alvo Milosawiewitsch (LATAM Executive)

General Manager:
Javier Andrés Durán Fernández (LATAM Executive)

Prime Airport Services Inc. y filial
Individualization: Corporation established in the United States.

Purpose: To operate or manage the warehouses or storage facilities of customs deposits, where any type of good or merchandise can be stored until its withdrawal, for imports, exports, or other customs destination, pursuant to the terms stated within the Customs Ordinance, its rules, and other corresponding regulation.

Paid-in Capital: ThUS$2
Paid-in Capital: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00000%

General Manager:
Rene Pascua

Lan Cargo Overseas Limited y filiales
Individualization: Limited Liability Company established in Bahamas.

Purpose: To participate in any act or activity that is not expressly forbidden by any existing law in Bahamas.

Paid-in Capital: ThUS$55
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0,22933%

Board Members:
Andres del Valle Eitel (Ejecutivos LATAM)

Administration:
Andres del Valle Eitel (LATAM Executive)

Transporte Aéreo S.A.
Individualization: Joint Stock Corporation established in Chile.

Purpose: To participate in any act or activity that is not expressly forbidden by any existing law in Bahamas.

Paid-in Capital: ThUS$11,800
Stake in 2018: 99.99%
YOY variation: 0.00%
% of Holding assets: 1.15188%

Board Members:
Enrique Cueto Plaza (LATAM Executive)
Ramiro Alfonsín Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager:
Francisco Recabarren Magofke (LATAM Executive)

Consorcio Fast Air Almacenes de Carga S.A. - Laser Cargo S.R.L.

Individualization: Transitory merger of companies established in Argentina.

Purpose: Bidding at National and International Public Tender N° 11/2000 to be awarded the License of Use for the Installation and Operation of a Tax Warehouse at the Rosario International Airport.

Paid-in Capital: ThUS$78
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00009%

Board Members:
Esteban Bojanich

Administration:
Esteban Bojanich

Lan Cargo Inversiones S.A. y filial
Individualization: Joint Stock Corporation established in Chile.

Purpose: a) to trade in air transportation, in any of its forms, be it of passengers, correspondence, and/or cargo, and anything related directly or indirectly to said activity within the country or abroad, on its own behalf or for third parties; b) to provide services related to the maintenance and repair of own and third-party aircraft; c) to market and perform activities related to travel, tourism, and lodging; d) to make and/or participate in all types of investments, both in Chile and abroad, in matters directly or indirectly related to aeronautical issues and/or to any of the other corporate purposes; and e) to carry out and operate all other activities derived from the corporate purpose and/or related, connected, contributory, or complementary activities thereof.

Paid-in Capital: ThUS$125
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00000%

Board Members:
Andrés Bianchi Urdinola Plaza (LATAM Executive)
Ramiro Alfonsín Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager:
Andrés del Valle Eitel (LATAM Executive)

Connecta Corporation
Individualization: Corporation established in the United States.

Purpose: Ownership, operating leasing, and subleasing of aircraft.

Paid-in Capital: ThUS$1
Stake in 2018: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.21865%

General Manager:
Andrés Bianchi Urdinola

Línea Aérea Carguera de Colombia (Subsidiary of LAN Cargo Inversiones)
Individualization: Joint Stock Corporation established in Colombia.

Purpose: To provide public, commercial cargo, and correspondence air transportation within the Republic of Colombia and from and to Colombia. As a secondary corporate purpose, the company can offer maintenance services to itself and to third parties; run its operations school and provide theoretical and practical instruction services, as well as training for its own and third-party aeronautical personnel in the various modes and specialties; import spare parts and replacements related to aeronautical activities, for itself and for third parties; provide airport services to third parties; represent or broker national and foreign air transport companies for passengers or cargo, and in general, companies that provide services to the aeronautical sector.

Paid-in Capital: ThUS$774
Stake in 2018: 90.00%
YOY variation: 0.00%
% of Holding assets: 0.05888%

Board Members:
Alberto Davila Suarez (permanent member)
Santiago Alvarez Matamoros (permanent member)
Jaime Antonio Gongora Esguerra (permanent member)
Andrés Bianchi Urdinola (alternate Member)
Jorge Nicolas Cortazar Cardoso (Alternate Member)
Helen Victoria Warner Sanchez

Administration:
Jaime Antonio Gongora Esguerra
Erika Zarante Bahamon (Alternate Member)

Mas Investment Limited (A subsidiary of LAN Overseas Limited)
Individualization: Limited Liability Company established in Bahamas.

Purpose: To perform all activities that are not expressly forbidden by Bahamas law, and specifically, to hold stakes in other LAN affiliates.

Paid-in Capital: ThUS$1,446
Stake in 2018: 100.00%
YOY variation: 0.00%
YOY variation: 0.03554%

Board Members:
J. Richard Evans
Carlton Mortimer
Charlene Y. Wels
Geoffrey D. Andrews

Promotora Aérea Latinoamérica S.A. and affiliates (A subsidiary of Mas Investment Limited)

Individualization: Variable Capital Corporation established in Mexico.

Purpose: To promote, establish, organize, operate, and participate in the capital and equity of all types of trade companies, civil associations, industrial, commercial, service, or any other type of associations or companies, both national and foreign, as well as to participate in their management or settlement. *Acquisition, disposal, and overall trading in all types of stocks, equity interests, and any other security allowed by the law… *Providing or contracting technical, advisory, and consulting services, as well as signing contracts or agreements to pursue these goals.

Paid-in Capital: ThUS$2,216
Stake in 2018: 49.00%
YOY variation: 0.00%
% of Holding assets: 0.02508%

Administration:
Luis Ignacio Sierra Arriola

Inversiones Áreas S.A (A Subsidiary of Mas Investmet Limited)
Individualization: Joint Stock Corporation established in Peru.

Purpose: To promote, establish, organize, operate, and participate in the capital and equity of all types of trade companies, civil associations, industrial, commercial, service, or any other type of associations or companies, both national and foreign, as well as to participate in their management or settlement. *Acquisition, disposal, and overall trading in all types of stocks, equity interests, and any other security allowed by the law… *Providing or contracting technical, advisory, and consulting services, as well as signing contracts or agreements to pursue these goals.

Paid-in Capital: ThUS$428
Stake in 2018: 100.00%
Stake in 2018: 0.00%
% of Holding assets: 0.05225%

Chairman of the Board:
Jorge Alejandro Villa Mardel

Board Members:
Jorge Alejandro Villa Mardel
Andrés Enrique del Valle Eitel
Ramiro Diego Alfonsín Balza

General Manager:
Silvana Muguerza Mori

Americonsul S.A de C.V. (A Subsidiary of Promotora Aérea Latinoamérica S.A and affiliates)
Individualization: Variable Capital Corporation established in Mexico.

Purpose: To provide and receive all manner of technical, administrative, or counseling services for industrial, commercial, and service companies; Promote, organize, manage, supervise, provide, and direct personnel training courses; Perform all types of studies, plans, projects, and research; Engage the necessary professional and technical personnel.

Paid-in Capital: ThUS$5
Stake in 2018: 49.00%
YOY variation: 0.00%
% of Holding assets: 0.00000%

Administration:
Luis Ignacio Sierra Arriola
Hector Ivan Iriarte
Claudio Torres

Americonsult de Guatemala S.A. (A subsidiary of Americonsul S.A de C.V)
Individualization: Joint Stock Corporation established in Guatemala.

Purpose: Powers to represent, broker, negotiate, and market; Carry out all types of commercial and industrial activities; All manner of trade in general. Broad purpose that allows for all manner of operations within the country.

Paid-in Capital: ThUS$76
Stake in 2018: 99.00%
YOY var.: 0.00%
% of Holding assets: 0.00076%

Chairman of the Board:
Luis Ignacio Sierra Arriola

Board Members:
Carlos Fernando Pellecer Valenzuela

Administration:
Carlos Fernando Pellecer Valenzuela

Americonsult de Costa Rica S.A. (A subsidiary of Americonsul S.A de C.V)
Incorporation: Joint Stock Corporation established in Costa Rica.

Purpose: General trade; industry, agriculture, and livestock.

Paid-in Capital: ThUS$20
Stake in 2018: 99.00%
YOY var.: 0.00%
% of Holding assets: 0.00679%

Administration:
Luis Ignacio Sierra Arriola
Tesorero: Alejandro Fernández Espinoza
Luis Miguel Renguel López
Tomás Nassar Pérez
Marjorie Hernández Valverde.

LAN PERÚ S.A

Incorporation: Joint Stock Corporation established in Peru on February 14, 1997.

Purpose: Provide aviation services pursuant to civil aviation legislation, including, but not limited to, the service of scheduled, chartered, and special national and international air transportation of passengers, cargo, and post mail, and exclusively of cargo, additional and/or ancillary services, related to the sale of products and/or ancillary services on and off the aircraft, such as aircraft leasing with and without crew; own and third-party aircraft maintenance and repair; provisioning and supply of equipment, replacements, and spare parts for aircrafts; commercial and technical shipping airport services for own and third-party aircraft; own and third-party aviation staff training, and airline technical counseling, representation, and agency services; services related to travel, booking, tourism, and lodging, real estate sale services; participation in any type or species of companies that will allow the company to further its purposes; and all the above in its own name or on behalf of third parties.

Paid-in Capital: ThUS$4,341
Profit for the period: ThUS$3,372
Stake in 2018: 70.00%
YOY variation: 0.00%
% of Holding assets: 2,53678%
Chairman of the Board:
César Emilio Rodríguez Larraín Salinas

Board Members:
César Emilio Rodríguez Larraín Salinas
Ignacio Cueto Plaza (LATAM Executive)
Enrique Cueto Plaza (LATAM Executive)
Jorge Harten Costa
Andrés Rodríguez Larraín Miró Quesada
Emilio Rodríguez Larraín Miró Quesada
Roberto Alejandro Alvo Milosawlewitsch (LATAM Executive)

General Manager:
Manuel Van Oordt

LAN INVERSIONES S.A. AND AFFILIATES
Incorporation: Established as a joint stock company through the Public Deed dated January 23, 1990 before Notary Humberto Quezada M., recorded in the Santiago Commerce Registry on page 3,462 number 1,833 of the year 1990, and published in the Official Gazette on February 2, 1990.

Purpose: Perform investments in all manner of goods, be they movable or immovable, tangible or intangible. Moreover, the Company may establish other types of companies of any sort; acquire rights in already existing corporations, manage, modify, and settle them.

Paid-in Capital: ThUS$458
Profit for the period: ThUS$ (4,774)
Stake in 2018: 100.00%
YOY variation: 0.0%
% of Holding assets: 0.01%
Chairman of the Board:
Enrique Cueto Plaza (LATAM Executive)
Ramiro Alfonsín Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager:
Gregorio Bekes (LATAM Executive)

LATAM TRAVEL CHILE S.A AND AFFILIATE
Incorporation: Established as a joint stock company through the Public Deed dated June 22, 1987 before Santiago Notary Raul Undurraga Laso, recorded in the Santiago Commerce Registry on page 13,139 number 8,495 of the year 1987, and published in the Official Gazette on July 2, 1987. The company has undergone various reforms, the latest of which is recorded in the public deed dated August 24, 1999 before Santiago Notary Eduardo Pinto Peralta and recorded on page 21,042 number 16,759 of the year 1999 and published in the Official Gazette on September 8, 1999.

Purpose: Operation, management, and representation of national and foregin businesses in the lodging, shipping, air, and tourism industries; operation on its own behalf or for third parties, automobile leasing; imports, exports, production, marketing, and distribution on its own behalf or forth third parties, of any type of merchandise, raw materials, inputs, or finished products, in national and international markets.

Paid-in Capital: ThUS$235
Profit for the period: ThUS$2,385
Stake in 2018: 100.00%
YOY variation: 0.0%
% of Holding assets: 0.03959%
Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

General Manager:
Federico Helman (LATAM Executive)

AFFILIATE COMPANY OF LATAM TRAVEL CHILE S.A. AND STAKE

LATAM Travel Chile II S.A.
Individualization: Joint Stock Corporation established in Chile.

Purpose: The operation, management, and representation of national or foreign companies or businesses in lodging, shipping, aviation, and tourism activities in general; brokerage of tourist services, such as: (a) booking seats and selling tickets for all types of national and international transportation, (b) booking, acquisition, and sale of lodging and tourism services, and tickets to all types of entertainment, museums, monuments, and protected areas in the country, (c) organization, promotion, and sale of tourist packages, understood as the group of tourist services (food, transportation, lodging, etc.), adjusted or projected at the client's behest, at a preset price, to be operated in national territory, (d) air, land, sea, and river tourist transportation within the national territory and abroad, (e) leasing and charter of planes, ships, buses, trains, and other forms of transportation for the provision of tourist services, (f) marketing of air transportation in any form, whether of passengers, cargo, or mail, and (g) any other activity directly or indirectly related to the rendering of the abovementioned services.

Paid-in Capital: ThUS$235
Stake in 2018: 99.99%
YOY var.: 0.00%
% of Holding assets: 0.03959%

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

General Manager:
Claudia Caceres Araya (LATAM Executive)

LAN PAX GROUP S.A.
Incorporation: Established as a joint stock company through the Public Deed dated September 27, 2001 before Santiago Notary Patricio Zaldivar Mackenna, recorded in the Santiago Commerce Registry on page 25,636 number 20,794 on October 4, 2001, and published in the Official Gazette on October 6, 2001.

Purpose: Perform investments in all manner of goods, be they movable or immovable, tangible or intangible. Within its line of business, the Company may create other types of companies of any sort; acquire rights in already existing corporations, manage, modify, and settle them. Overall, it may acquire and sell all manner of goods and operate them, on its own behalf or for third parties, as well as perform all manner of acts and enter into all manner of contracts conducive to its goals. Exercise the development and operation of all other activities derived from and/or related, connected, contributory, or complementary to the company's corporate purpose.

Paid-in Capital: ThUS$424
Profit for the period: ThUS$ (126,547)
Stake in 2018: 100.00%
YOY var.: 0.00%
% of Holding assets: 0.00%

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

General Manager:
Andrés del Valle Eitel (LATAM Executive)

AFFILIATE COMPANIES OF LAN PAX GROUP S.A. AND STAKES

Inversora Cordillera S.A. and affiliates
Individualization: Joint Stock Corporation established in Argentina.

Purpose: To perform investments on its own behalf or for third parties, or related to third parties, in other stock companies, regardless of corporate purpose, established or to be established, within the Argentine Republic or abroad, via acquisition, incorporation, or sale of stakes, shares, quotas, bonds, options, commercial paper, convertible or otherwise, other transferrable securities, or other forms of investment allowed by the applicable regulation at any given moment, either to hold them in its own portfolio, or to sell them partially or in full, as may be the case. For this purpose, the company may carry out all transactions that are not expressly forbidden by law in compliance with its corporate purpose, and it has full legal capacity to acquire rights, contract obligations, and exercise all acts that are not expressly forbidden by law or statute.

Paid-in Capital: ThUS$198,414
Stake in 2018: 95.78%
YOY var.: 0.00%
% of Holding assets: 1.08111%

Board Members:
Manuel Maria Benites
Jorge Luis Perez Alati
Ignacio Cueto Plaza

Administration:
Manuel María Benites
Jorge Luis Perez Alati
Rosario Altgelt
María Marta Forcada
Jerónimo Cortes
Norberto Díaz
Gregorio Bekes
Andres del Valle

LATAM Travel S.A.
Individualization: Joint Stock Corporation established in Argentina.

Purpose: To perform on its own behalf or for third parties and/or in partnership with third parties, within the country and/or abroad, the following activities and transactions: A) COMMERCIAL: Carry out, intervene, develop, or design all manner of operations and activities involving the sale of airfare, land, river, and sea tickets, both nationally and abroad, or any other service related to the tourism industry in general. The aforementioned services may be carried out on its own behalf or upon request from third parties, via mandate, commission, the use of systems or methods deemed convenient for said purpose, be they manual, mechanical, electronic, telephone, or internet methods, or any other type or technology that may suit said purpose. The Company may perform ad hoc or related activities to the purpose described, such as purchase and sales, imports, exports, reexport, licensing, and representation of all manner of goods, services, know-how, and technology directly or indirectly related to the purpose described; market, by any means the technology created or whose license or patent it has acquired or manages; develop, distribute, promote, and market all types of content for mass media of any sort. B) TOURIST: Via the performance of all activities related to the tourist and lodging industry, as responsible operator or third-party service operator, or as travel agent. Via the creation of exchange, tourism, excursion, and tour programs; the brokerage and booking and rendering of services through any form of transportation within the country or abroad, and ticket sales; brokerage for hiring lodging services in the country or abroad; booking of hotels, motels, tourist apartments, and other tourist facilities; organization of trips and tourism for individuals or groups, excursions, or similar activities within the country or abroad; reception and assistance for tourists during their trip and stay in the country, provision of tour guide services, and forwarding of their baggage; representing other national or foreign travel and tourism agencies, companies, or institutions, in order to render any of these services on their behalf. C) COMMISSIONER: Via the acceptance, performance, and granting of representations, concessions, commissions, agencies, and mandates in general. D) CONSULTING: Provide consulting, support, and management services on all matters related to the organization, installation, service, development, support, and promotion of companies related to air transportation activities, but not exclusive to said activity, in the management, industrial, commercial, technical, and advertising areas, to be provided, when the nature of the issue so requires, by certified professionals per the corresponding regulation, and the provision of organization and management, care, maintenance, and surveillance services, and of the suitable personnel, especially prepared to carry out said tasks. E) FINANCIAL: Via its participation in other companies already created or to be created, either through the acquisition of shares in established companies, or through the establishment of new companies, via the awarding or securing of credits, loans, cash advances secured or unsecured by collateral o personal guarantee; the awarding of guarantees and sureties in favor of third parties for a fee or free of charge; placement of funds in foreign currency, gold or currencies, or bank deposits of any type. To achieve these purposes, the company has full legal capacity to exercise all acts not expressly forbidden by law or statue, including making borrowings publicly or privately via the issuance of debentures and tradable securities, and performing all manner of financial transactions except those comprised under Law 21,526 and any others requiring a public tender process.

Paid-in Capital: ThUS$1,650
Stake in 2018: 100.00%
YOY var.: 0.00%
% of Holding assets: 0.01165%

Board member:
Jerónimo Cortes

Administration:
Rosario Altgelt
María Marta Forcada
Jerónimo Cortes
Federico Jager
Norberto Díaz
Gregorio Bekes
Andres del Valle

Atlantic Aviation Investments LLC
Individualization: Limited Liability Company established in the United States.

Purpose: Any and all lawful business that the company may undertake.

Paid-in Capital: ThUS$1
Stake in 2018: 99.00%
YOY var.: 0.00%
% of Holding assets: 0.06519%

Board Members:
Andrés del Valle Eitel

Management:
Andrés del Valle (LATAM Executive)

Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.
Individualization: Joint Stock Corporation established in Ecuador.

Purpose: Combined air transport of passengers, cargo, and correspondence.

Paid-in Capital: THUS$1,000
Stake in 2018: 55.00%
YOY var.: 0.00%
% of Holding assets: 0.06049%

Board Members:
Antonio Stagg
Manuel Van Oordt
Mariana Villagómez

General Manager:
Maximiliano Naranjo

Holdco Ecuador S.A.
Individualization: Joint Stock Corporation established in Chile.

Purpose: Carry out all manner of investments for profitable purposes pertaining to tangible or intangible, movable or immovable assets, either in Chile or abroad.

Paid-in Capital: ThUS$351,174
Stake in 2018: 99.999%
YOY var.: 0.0%
% of Holding assets: 1.85764%

Board Members:
Antonio Stagg (LATAM Executive)
Manuel Van Oordt (LATAM Executive)
Mariana Villagómez (LATAM Executive)

General Manager:
Ramiro Alfonsin Balza (LATAM Executive)

Aerovias de Integración Regional, Aires SA.
Individualization: Joint Stock Corporation established in Colombia.

Purpose: The company's corporate purpose shall be the operation of national or international commercial air transportation services, in any form, and therefore, the entering into and execution of contracts for the transportation of passengers, objects or luggage, correspondence, and cargo in general, pursuant to the operating permits issued to this effect by the Special Administrative Unit of Civil Aeronautics, or the agency that may carry out said functions in the future, adhering fully to the stipulations of the Code of Commerce, the Colombian Aviation Regulations, and any other rules issued on the matter. Likewise, to provide maintenance and adaptation services for the equipment related to the operation of air transportation services within the country and abroad. In order to fulfill said purpose, the company will be authorized to invest in other national or foreign companies with purposes that are the same, similar, or complementary to the company's. To fulfill its corporate purpose, the company may, among other things: (a) review, inspect, or provide maintenance and/or repairs to its own or third-party aircraft, as well as spare parts and accessories, through the Company's Aeronautical Repair Stations, providing the necessary trainings for said purpose; (b) organize, establish, and invest in commercial transportation companies in Colombia or abroad to perform, industrially or commercially, the economic activity that is its purpose, so the company can acquire, for any purpose, airplanes, spare parts, replacements, and accessories of any kind, necessary for public air transportation, as well as sell them, and to set up and operate stations to repair and give maintenance to the aircraft; (c) enter leasing, charter, code-sharing, service rendering, or any other contracts pertaining to aircraft to exercise its purpose; (d) to operate scheduled air transport lines for passengers, cargo, correspondence, and securities, as well as the vehicle that will make it possible to coordinate the social management; (e) merge with equal, similar, or complementary companies to perform its activity; (f) accept national or foreign representations of services in the same sector or in complementary sectors; (g) acquire movable or immovable assets to develop its corporate purposes, build said facilities or constructions, such as warehouses, deposits, offices, etc., sell, or encumber them;(h) carry out imports and exports, as well as all foreign trade operations required; (i) take money on interest and provide personal, real, and bank guarantees, either on its own behalf or for third parties; (j) participate in all manner of securities transactions, such as purchase or sale of debentures acquired by third parties when resulting in an economic or equity benefit for the company, and obtain loans through bonds or other liability instruments; (k) enter into contracts with third parties for the management and operation of the businesses it may organize to achieve its corporate purposes; (l) form partnerships and acquire shares and stakes in already established companies, both national and foreign; make contributions to one and all; (m) merge with other companies and form partnerships with similar companies to ensure provision of air transportation or for other purposes pertaining to the industry; (n) promote, provide technical assistance, finance, or manage companies or associations related to the corporate purpose; (o) carry out all manner of civil or commercial, industrial or financial contracts necessary or convenient to achieve its own purposes; (p) do business and fulfill activities that will ensure the flow of clients, and obtain the necessary authorizations and licenses from the corresponding authorities to provide its services; (q) develop and carry out any other activities resulting from and/or related, connected, contributory, or complementary to the corporate purpose, including the provision of tourist services under any and all forms allowed by law, such as travel agencies; (r) practice any business or legal activity, whether or not related to trade, as long as it is related to its corporate purpose, or that it enables a more rational operation of the public service that it will provide; and (s) make any manner of investments to employ the funds and reserves created pursuant to law or the current bylaws.

Paid-in Capital: ThUS$3,389
Stake in 2018: 99.017%
YOY var.: 0.00%
% of Holding assets: 0.21628%

Board Members:
Jorge Nicolas Cortazar Cardoso (permanent member)
Jaime Antonio Gongora Esguerra (permanent member)
Santiago Alvarez Matamoros (permanent member)
Jorgue Enrique Cortazar Garcia (alternate member)
Alberto Davila Suarez (alternate member)
Helen Victoria Warner Sanchez

Management:
Jorge Nicolas Cortazar
Erika Zarante Bahamon
Jaime Antonio Gongora Esguer

Lan Argentina S.A (A subsidiary of Inversora Cordillera S.A)

Individualization: Joint Stock Corporation established in Argentina.

Purpose: Carry out all manner of investments for profitable purposes pertaining to tangible or intangible, movable or immovable assets, either in Chile or abroad.

Paid-in Capital: ThUS$129,589
Stake in 2018: 99.00%
YOY var.: 0.00%
% of Holding assets: 0.09376 %

Board Members:
Manuel Maria Benites
Jorge Luis Perez Alati

Management:
Manuel María Benites
Jorge Luis Perez Alati
Rosario Altgelt
María Marta Forcada
Jerónimo Cortes
Federico Jager
Norberto Díaz
Gregorio Bekes
Andres del Valle

TECHNICAL TRAINING LATAM S.A.

Incorporation: Established as a Joint Stock Corporation per the public deed dated December 23, 1997 in Santiago de Chile, and then recorded in the Santiago Commerce Registry on page 878 number 675 of the year 1998.

Purpose: Its corporate purpose is to provide technical training and other types of related services.

Paid-in Capital: ThUS$870
Profit for the period: ThUS$109
Stake in 2018: 100.00%
YOY var.: 0.00%
% of Holding assets: 0.00851%

Board Members:
Sebastián Acuto (LATAM Executive)
Ramiro Alfonsín Balza (LATAM Executive)
Hernán Pasman (LATAM Executive)

General Manager:
Guido Opazo Aneotz (LATAM Executive)

PARENT COMPANIES' FINANCIAL STATEMENTS

TAM S.A.

Consolidated Classified Statement of Financial Position	At December 31, 2018 ThUS$	At December 31, 2017 ThUS$
ASSETS		
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	2,003,147	1,838,178
Non-current assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	4,683	5,644
Total current assets	2,007,830	1,843,822
Total non-current assets	2,296,296	2,646,892
TOTAL ASSETS	4,304,126	4,490,714
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	1,727,151	2,052,633
Total non-current liabilities	1,286,680	1,502,790
Total liabilities	3,013,831	3,555,423
EQUITY		
Net equity attributable to the parent company's owners	1,221,459	856,829
Non-controlling interest	68,836	78,462
Total equity	1,290,295	935,291
TOTAL EQUITY AND LIABILITIES	4,304,126	4,490,714

Consolidated Statement of Income by Function	ThUS$	ThUS$
Revenues from ordinary activities	4,650,526	4,621,338
Gross profit	523,616	832,939
Profit (loss), before tax		
Income tax expenses	(94,944)	(129,520)
PROFIT (LOSS) FOR THE PERIOD	17,916	203,677
Profit (loss) of the period, attributable to:		
Parent company's owners	(12,538)	160,582
Non-controlling interest	30,454	43,095
Profit (loss) for the period	17,916	203,677

TAM S.A.

Consolidated Statement of Comprehensive Income	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
PROFIT (LOSS) FOR THE PERIOD	17,916	203,677
Other comprehensive income	(282,749)	(14,098)
Total comprehensive income	(264,833)	189,579
Comprehensive income attributable to:		
Parent company's owners	(276,848)	149,203
Non-controlling interest	12,015	40,376
TOTAL COMPREHENSIVE INCOME	(264,833)	189,579

Statement of Changes in Equity	Equity attributable to Parent company's owners ThUS$	Non controlling equity ThUS$	TOTAL ThUS$
Equity as of January 1, 2017	495,563	81,416	576,979
Total comprehensive income	149,203	40,376	189,579
Equity issuance	210,091	-	210,091
Dividends	-	(45,876)	(45,876)
Other increases (decreases) in equity	1,972	2,546	4,518
Closing balance at December 31, 2017	856,829	78,462	935,291
Equity as of January 1, 2018	856,829	78,462	935,291
Increase (decrease) due to application of new accounting standards	(5,011)	-	(5,011)
Total comprehensive income	(276,848)	12,015	(264,833)
Equity issuance	647,316	-	647,316
Dividends	-	(26,029)	(26,029)
Other increases (decreases) in equity	(827)	4,388	3,561
Closing balance at December 31, 2018	1,221,459	68,836	1,290,295

TAM S.A.

Consolidated Cash Flow Statement –Direct Method	December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities	107,646	141,787
Net cash flows from (used in) investment activities	(29,791)	280,651
Net cash flows from (used in) financing activities	83,412	(373,185)
Net increase (decrease) in cash and cash equivalents, before the effect of F/X variations	**161,267**	**49,253**
Effects of F/X variations on cash and cash equivalents	(174,491)	(7,443)
Cash and cash equivalents at the end of the period	225,804	239,028

LAN CARGO S.A. (joint stock company)

Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$	At December 31 2017 ThUS$
ASSETS		
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	213,575	109,527
Non-current assets or groups of assets for disposal c lassified as held for sale or held for distribution to the owners	375	108,896
Total current assets	213,950	218,423
Total non-current assets	442,057	531,485
TOTAL ASSETS	**656,007**	**749,908**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	138,643	202,105
Non-current assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	-	28,460
Total current liabilities	138,643	230,565
Total non-current liabilities	171,703	155,137
Total liabilities	**310,346**	**385,702**

LAN CARGO S.A. (joint stock company)

Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$	At December 31 2017 ThUS$
EQUITY		
Net equity attributable to the parent company's owners	346,106	360,134
Non-controlling interest	(445)	4,072
Total equity	345,661	364,206
TOTAL EQUITY AND LIABILITIES	**656,007**	**749,908**

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Revenues from ordinary activities	694,280	1,046,423
Gross profit (loss)	(27,768)	(14,376)
Profit (loss), before tax	(23,262)	16,353
Income tax expenses	7,533	(20,992)
PROFIT (LOSS) FOR THE PERIOD	**(15,729)**	**(4,639)**
Profit (loss) of the period, attributable to:		
Parent company's owners	(15,790)	(6,200)
Non-controlling interest	61	1,814
Profit (loss) for the period	**(15,729)**	**(4,386)**

Consolidated Statement of Comprehensive Income	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
PROFIT (LOSS) FOR THE PERIOD	(15,729)	(4,386)
Other comprehensive income	(1,009)	3,661
Total comprehensive income	**(16,738)**	**(725)**
Comprehensive income attributable to:		
Parent company's owners	(16,799)	(2,539)
Non-controlling interest	61	1,814
TOTAL COMPREHENSIVE INCOME	**(16,738)**	**(725)**

LAN CARGO S.A. (joint stock company)

Statement of Changes in Equity	Equity attributable to Parent company's owners TOTAL ThUS$	Non-controlling equity ThUS$	ThUS$
Equity as of January 1, 2017	**362,478**	**2,259**	**364,737**
Total comprehensive income	(2,539)	1,814	(725)
Other increases (decreases) in equity	195	(1)	194
Closing balance at December 31, 2017	**360,134**	**4,072**	**364,206**
Equity as of January 1, 2018	**362,478**	**4,072**	**364,206**
Total comprehensive income	(16,799)	61	(16,738)
Other increases (decreases) in equity	2,771	(4,578)	(1,807)
Closing balance at December 31, 2018	**346,106**	**(445)**	**345,661**

Consolidated Cash Flow Statement –Direct Method	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities	18,346	54,485
Net cash flows from (used in) investment activities	133,825	(10,641)
Net cash flows from (used in) financing activities	(100,041)	(37,925)
Net increase (decrease) in cash and cash equivalents, before the effect of F/X variations	**52,130**	**5,919**
Effects of F/X variations on cash and cash equivalents	-	1
Cash and cash equivalents at the end of the period	82,728	30,598

LAN PERU S.A.(joint stock company)

BALANCE SHEET	At December 31 2018 ThUS$	At December 31 2017 ThUS$
ASSETS		
Total current assets	379,489	294,303
Total non-current assets	38,277	21,299
TOTAL ASSETS	**417,766**	**315,602**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	406,157	301,476
Total non-current liabilities	1,413	1,728
Total liabilities	**407,570**	**303,204**
EQUITY		
Net equity attributable to the parent company's owners	10,196	12,398
Non-controlling interest	-	-
Total equity	**10,196**	**12,398**
TOTAL EQUITY AND LIABILITIES	**417,766**	**315,602**

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Revenues from ordinary activities	1,161,205	1,046,423
Gross profit	150,679	143,411
Profit (loss), before tax	5,697	6,233
Income tax expenses	(2,325)	(5,034)
PROFIT (LOSS) FOR THE PERIOD	**3,372**	**1,199**

LAN PERU S.A.(joint stock company)

Statement of Changes in Equity	Issued capital ThUS$	Legal reserve ThUS$	Accrued earnings ThUS$	Total equity ThUS$
Equity as of January 1, 2017	4,341	869	5,990	11,199
Total comprehensive income	-	-	1,199	1,199
Closing balance at December 31, 2017	**4,341**	**869**	**7,189**	**12,398**
Equity as of January 1, 2018	4,341	869	7,189	12,398
Total comprehensive income	-	-	3.372	3.372
Dividends	-	-	(6,221)	(6,221)
Others	-	-	(5,574)	(5,574)
Closing balance at December 31, 2018	**4,341**	**869**	**4,986**	**10,196**

Cash Flow Statement –Direct Method	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities	10,327	(4,803)
Net cash flows from (used in) investment activities	(829)	(798)
Net cash flows from (used in) financing activities	(40,872)	9,426
Net increase (decrease) in cash and cash equivalents	**(31,374)**	**3,825**
Cash and cash equivalents at the end of the period	38,343	69,717

INVERSIONES LAN S.A. (joint stock company)

Consolidated Classified Statement of Financial Position	ThUS$	ThUS$
ASSETS		
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	1,325	3,407
Non-current assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	-	8,217
Total current assets	1,325	11,624
Total non-current assets	58	57
TOTAL ASSETS	**1,383**	**11,681**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	5	5,063
Total non-current liabilities	45	45
Total liabilities	**50**	**5,201**
EQUITY		
Net equity attributable to the parent company's owners	1,333	6,480
Total equity	**1,333**	**6,480**
TOTAL EQUITY AND LIABILITIES	**1,383**	**11,681**

	For the years ended on December 31,	
Consolidated Statement of Earnings by Function	**2018 ThUS$**	**2017 ThUS$**
Revenues from ordinary activities	14,828	35,529
Gross profit	4,004	5,987
Profit (loss), before tax	(4,408)	2,163
Income tax expenses	(366)	(575)
PROFIT (LOSS) FOR THE PERIOD	**(4,774)**	**1,588**
Profit (loss) of the period, attributable to:		
Parent company's owners	4,774	1,588
Profit (loss) for the period	**4,774**	**1,588**

INVERSIONES LAN S.A. (Joint stock company)

Consolidated Statement of Comprehensive Income	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
PROFIT (LOSS) FOR THE PERIOD	(4,774)	1,588
Other comprehensive income	(690)	55
Total comprehensive income	**(5,464)**	**1,643**
Comprehensive income attributable to:		
Parent company's owners	(5,464)	1,643
TOTAL COMPREHENSIVE INCOME	**(5,464)**	**1,643**

Statement of Changes in Equity	Issued capital ThUS$	Other reserves total ThUS$	Accrued earnings ThUS$	Total equity ThUS$
Equity as of January 1, 2017	**440**	**635**	**3,444**	**4,519**
Total comprehensive income	-	55	1,588	1,643
Other increases (decreases) in equity	19	-	299	318
Closing balance at December 31, 2017	**459**	**690**	**5,331**	**6,480**
Equity as of January 1, 2018	**459**	**690**	**5,331**	**6,480**
Total comprehensive income	-	(690)	(4,774)	(5,464)
Other increases (decreases) in equity	(1)	-	318	317
Closing balance at December 31, 2018	**458**	**-**	**875**	**1,333**

Consolidated Cash Flow Statement –Direct Method	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities	(53)	1,192
Net cash flows from (used in) investment activities	(1)	(2,122)
Net cash flows from (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	**(54)**	**(930)**
Effects of F/X variations on cash and cash equivalents	-	43
Cash and cash equivalents at the end of the period	469	523

LATAM TRAVEL CHILE S.A. Y FILIAL (Joint stock company)

Classified Statement of Financial Position	At December 31 2018 ThUS$	At December 31 2017 ThUS$
ASSETS		
Total current assets	9,876	6,492
Total non-current assets	289	269
TOTAL ASSETS	**10,165**	**6,761**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	3,058	2,191
Total non-current liabilities	152	6
Total liabilities	**3,210**	**2,197**
EQUITY		
Total equity	6,995	4,564
TOTAL EQUITY AND LIABILITIES	**10,165**	**6,761**

Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Revenues from ordinary activities	8,973	9,320
Gross profit	6,403	6,198
Profit (loss), before tax	3,373	2,436
Income tax expenses	(988)	(603)
PROFIT (LOSS) FOR THE PERIOD	**2,385**	**1,833**

LATAM TRAVEL CHILE S.A. Y FILIAL (Joint stock company)

Statement of Changes in Equity	Issued capital ThUS$	Accrued earnings ThUS$	Total equity ThUS$
Equity as of January 1, 2017	**225**	2,506	**2,731**
Total comprehensive income	-	1,833	1,833
Dividends	-	-	
-			
Closing balance at December 31, 2017	**225**	**4,339**	**4,564**
Equity as of January 1, 2018	**225**	4,339	**4,564**
Total comprehensive income	-	2.381	2,381
Total transactions with shareholders	10	-	10
Closing balance at December 31, 2018	**235**	**6,720**	**6,955**

Cash Flow Statement –Direct Method		For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities		155	(536)
Net cash flows from (used in) investment activities	-	(110)	
Net cash flows from (used in) financing activities		-	-
Net increase (decrease) in cash and cash equivalents		120	**(646)**
Cash and cash equivalents at the end of the period		540	420

LAN PAX GROUP S.A. (Joint stock company)

Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$	At December 31 2017 ThUS$
ASSETS		
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	306,784	220,220
Non-current assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	441	109
Total current assets	307,225	220,329
Total non-current assets	215,630	279,016
TOTAL ASSETS	**522,855**	**499,345**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	1,075,112	894,891
Liabilities included in groups of assets for disposal classified as held for sale	-	-
Total current liabilities	1,075,112	894,891
Total non-current liabilities	203,237	206,657
Total liabilities	**1,278,349**	**1,101,548**
EQUITY		
Net equity attributable to the parent company's owners	(755,494)	(602,199)
Non-controlling interest	-	-
Total equity	(755,494)	(602,199)
TOTAL EQUITY AND LIABILITIES	**522,855**	**499,349**

LAN PAX GROUP S.A. (Joint stock company)

	For the years ended on December 31,	
	2018	2017
Consolidated Statement of Earnings by Function	ThUS$	ThUS$
Revenues from ordinary activities	784,689	894,374
Gross profit	39,364	111,797
Profit (loss), before tax	(100,852)	(49,855)
Income tax expenses	(25,695)	13,513
PROFIT (LOSS) FOR THE PERIOD	**(126,547)**	**(36,342)**
Profit (loss) of the period, attributable to:		
Parent company's owners	(120,394)	(34,835)
Non-controlling interest	(6,153)	(1,507)
Profit (loss) for the period	**(126,547)**	**(36,342)**

	For the years ended on December 31,	
	2018	2017
Consolidated Statement of Comprehensive Income	ThUS$	ThUS$
PROFIT (LOSS) FOR THE PERIOD	(126,547)	(36,343)
Other comprehensive income	(78317)	308
Total comprehensive income	**(204,864)**	**(36,035)**
Comprehensive income attributable to:		
Parent company's owners	(210,303)	(35,738)
Non-controlling interest	5.439	(297)
TOTAL COMPREHENSIVE INCOME	**(204.864)**	**(36.035)**

LAN PAX GROUP S.A. (Joint stock company)

Statement of Changes in Equity	Equity attributable to Parent company's owners ThUS$	Non-controlling interest ThUS$	Total equity ThUS$
Equity as of January 1, 2017	**(570,638)**	**640**	**(569,998)**
Total comprehensive income	(35,737)	(297)	(36,034)
Other increases (decreases) in equity	137	3,696	3,833
Closing balance at December 31, 2017	**(606,238)**	**4,039**	**(602,199)**
Equity as of January 1, 2018	**(606,238)**	**4,039**	**(602,199)**
Increase (decrease) due to application of new accounting standards	1,578	-	1,578
Total comprehensive income	(210,303)	5,439	(204,864)
Other increases (decreases) in equity	52,459	(890)	51,569
Closing balance at December 31, 2018	**(764,082)**	**8,588**	**(755,494)**

Consolidated Cash Flow Statement –Direct Method	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities	55,600	(37,387)
Net cash flows from (used in) investment activities	(213,671)	(5,580)
Net cash flows from (used in) financing activities	189,209	5,914
Net increase (decrease) in cash and cash equivalents, before the effect of F/X variations	**31,138**	**(37,053)**
Effects of F/X variations on cash and cash equivalents	(770)	(186)
Cash and cash equivalents at the end of the period	64,443	34,075

TECHNICAL TRAINING LATAM S.A. (Limited Company)

December 31 Consolidated Classified Statement of Financial Position	At December 31 2018 MM$	At 2017 MM$
ASSETS		
Total current assets	1,839	1,149
Total non-current assets	162	60
TOTAL ASSETS	**2,001**	**1,209**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	175	71
Total non-current liabilities	541	154
Total liabilities	**716**	**225**
EQUITY		
Net equity attributable to the parent company's owners	1,285	984
Total equity	**1,285**	**984**
TOTAL EQUITY AND LIABILITIES	**2,001**	**1,209**

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 MM$	 2017 MM$
Revenues from ordinary activities	1,520	1,048
Gross profit	616	175
Profit (loss), before tax	646	81
Income tax expenses	(32)	(16)
PROFIT (LOSS) FOR THE PERIOD	**614**	**65**
Profit (loss) of the period, attributable to:		
Parent company's owners	614	65
Non-controlling interest	-	-
Profit (loss) for the period	**614**	**65**

TECHNICAL TRAINING LATAM S.A. (Limited Company)

Statement of Changes in Equity	Equity total MM$
Equity as of January 1, 2017	**978**
Total comprehensive income	6
Other increases (decreases) in equity	-
Closing balance at December 31, 2017	**984**
Equity as of January 1, 2018	**984**
Total comprehensive income	301
Other increases (decreases) in equity	-
Closing balance at December 31, 2018	**1,285**

Consolidated Cash Flow Statement –Direct Method	For the years ended on December 31, 2018 MM$	2017 MM$
Net cash flows from (used in) operating activities	(349)	20
Net cash flows from (used in) investment activities	-	-
Net cash flows from (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(349)	20
Effects of F/X variations on cash and cash equivalents	41	(51)
Cash and cash equivalents at the start of the year	799	830
Cash and cash equivalents at the end of the period	492	799

PROFESSIONAL AIRLINE SERVICES INC

December 31 Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$	At 2017 ThUS$
ASSETS		
Total current assets	2,450	3,703
Total non-current assets	-	-
TOTAL ASSETS	**2,450**	**3,703**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	1,987	3,437
Total non-current liabilities	-	-
Total liabilities	**1,987**	**3,437**
EQUITY		
Net equity attributable to the parent company's owners	463	266
Non-controlling interest	-	-
Total equity	463	266
TOTAL EQUITY AND LIABILITIES	**2,450**	**3,703**

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$	 2017 ThUS$
Revenues from ordinary activities	8,223	8,500
Gross profit	424	408
Profit (loss), before tax	381	304
Income tax expenses	(183)	(102)
PROFIT (LOSS) FOR THE PERIOD	**198**	**202**
Profit (loss) of the period, attributable to:		
Parent company's owners	198	202
Non-controlling interest	-	-
Profit (loss) for the period	**198**	**202**

PROFESSIONAL AIRLINE SERVICES INC

Statement of Changes in Equity	Equity Total MM$
Equity as of January 1, 2017	**-**
Total comprehensive income	**265**
Other increases (decreases) in equity	**-**
Closing balance at December 31, 2017	**265**
Equity as of January 1, 2018	**265**
Total comprehensive income	198
Other increases (decreases) in equity	-
Closing balance at December 31, 2018	**463**

Consolidated Cash Flow Statement –Direct Method	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Net cash flows from (used in) operating activities	(1.337)	2.915
Net cash flows from (used in) investment activities	-	-
Net cash flows from (used in) financing activities	-	-
Cash and cash equivalents at the end of the period	1.641	2.978

LATAM FINANCE LIMITED

Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$	At December 31 2017 ThUS$
ASSETS		
Total current assets	622,017	608,690
Total non-current assets	57,017	69,599
TOTAL ASSETS	**679,034**	**678,289**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	58,905	10,771
Total non-current liabilities	697,869	697,535
Total liabilities	**756,774**	**708,306**
EQUITY		
Net equity attributable to the parent company's owners	(77,740)	(30,017)
Non-controlling interest	-	-
Total equity	**(77,740)**	**(30,017)**
TOTAL EQUITY AND LIABILITIES	**679,034**	**678,289**

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$	2017 ThUS$
Revenues from ordinary activities	773	4,942
Gross profit	(48,496)	(34,959)
Profit (loss), before tax	(47,723)	(30,017)
Income tax expenses	-	-
PROFIT (LOSS) FOR THE PERIOD	**(47,723)**	**(30,017)**
Profit (loss) of the period, attributable to:		
Parent company's owners	(47,723)	(30,017)
Non-controlling interest	-	-
Profit (loss) for the period	**(47,723)**	**(30,017)**

LATAM FINANCE LIMITED

Statement of Changes in Equity	**Total equity MM$**
Equity as of January 1, 2017	**-**
Total comprehensive income	**(30,017)**
Other increases (decreases) in equity	-
Closing balance at December 31, 2017	**30,017)**
Equity as of January 1, 2018	**(30,017)**
Total comprehensive income	(47,723)
Other increases (decreases) in equity	-
Closing balance at December 31, 2018	**(77.740)**

	For the years ended on December 31,	
Consolidated Cash Flow Statement –Direct Method	**2018 ThUS$**	**2017 ThUS$**
Net cash flows from (used in) operating activities	(9)	4,082
Net cash flows from (used in) investment activities	13,348	(677,208)
Net cash flows from (used in) financing activities	-	673,613
Net increase (decrease) in cash and cash equivalents, before the effect of F/X variations	13,339	487
Cash and cash equivalents at the end of the period	13.861	487

PEUCO FINANCE LIMITED

Consolidated Classified Statement of Financial Position	**At December 31 2018 ThUS$**	**At December 31 2017 ThUS$**
ASSETS		
Total current assets	608,191	608,191
Total non-current assets	-	-
TOTAL ASSETS	**608,191**	**608,191**
EQUITY AND LIABILITIES		
LIABILITIES		
Total current liabilities	608,191	608,191
Total non-current liabilities	-	
-		
Total liabilities	**608,191**	**608,191**
EQUITY		
Net equity attributable to the parent company's owners	-	-
Non-controlling interest	-	-
Total equity	-	-
TOTAL EQUITY AND LIABILITIES	**608,191**	**608,191**

Consolidated Cash Flow Statement –Direct Method	**For the years ended on December 31, 2018 ThUS$**	**2017 ThUS$**
Net cash flows from (used in) operating activities	(608,191)	(608,191)
Net cash flows from (used in) investment activities	-	-
Net cash flows from (used in) financing activities	608,191	608,191
Cash and cash equivalents at the end of the period	-	-

JARLETUL S.A.

Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$
ASSETS	
Total current assets	18
Total non-current assets	-
TOTAL ASSETS	**18**
EQUITY AND LIABILITIES	
LIABILITIES	
Total current liabilities	125
Total non-current liabilities	-
Total liabilities	**125**
EQUITY	
Net equity attributable to the parent company's owners	(107)
Non-controlling interest	-
Total equity	**(107)**
TOTAL EQUITY AND LIABILITIES	**18**

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$
Revenues from ordinary activities	11
Gross profit	11
Profit (loss), before tax	(107)
Income tax expenses	-
PROFIT (LOSS) FOR THE PERIOD	**(107)**
Profit (loss) of the period, attributable to:	
Parent company's owners	(107)
Non-controlling interest	-
Profit (loss) for the period	**(107)**

JARLETUL S.A.

Statement of Changes in Equity	**Total equity MM$**
Equity as of January 1, 2018	-
Total comprehensive income	(107)
Other increases (decreases) in equity	-
Closing balance at December 31, 2018	**(107)**

Consolidated Cash Flow Statement –Direct Method	**For the years ended on December 31, 2018 ThUS$**
Net cash flows from (used in) operating activities	16
Net cash flows from (used in) investment activities	-
Net cash flows from (used in) financing activities	-
Cash and cash equivalents at the end of the period	16

LATAM Travel S.R.L.

Consolidated Classified Statement of Financial Position	**At December 31 2018 ThUS$**
ASSETS	
Total current assets	18
Total non-current assets	-
TOTAL ASSETS	**18**
EQUITY AND LIABILITIES	
LIABILITIES	
Total current liabilities	39
Total non-current liabilities	-
Total liabilities	**39**

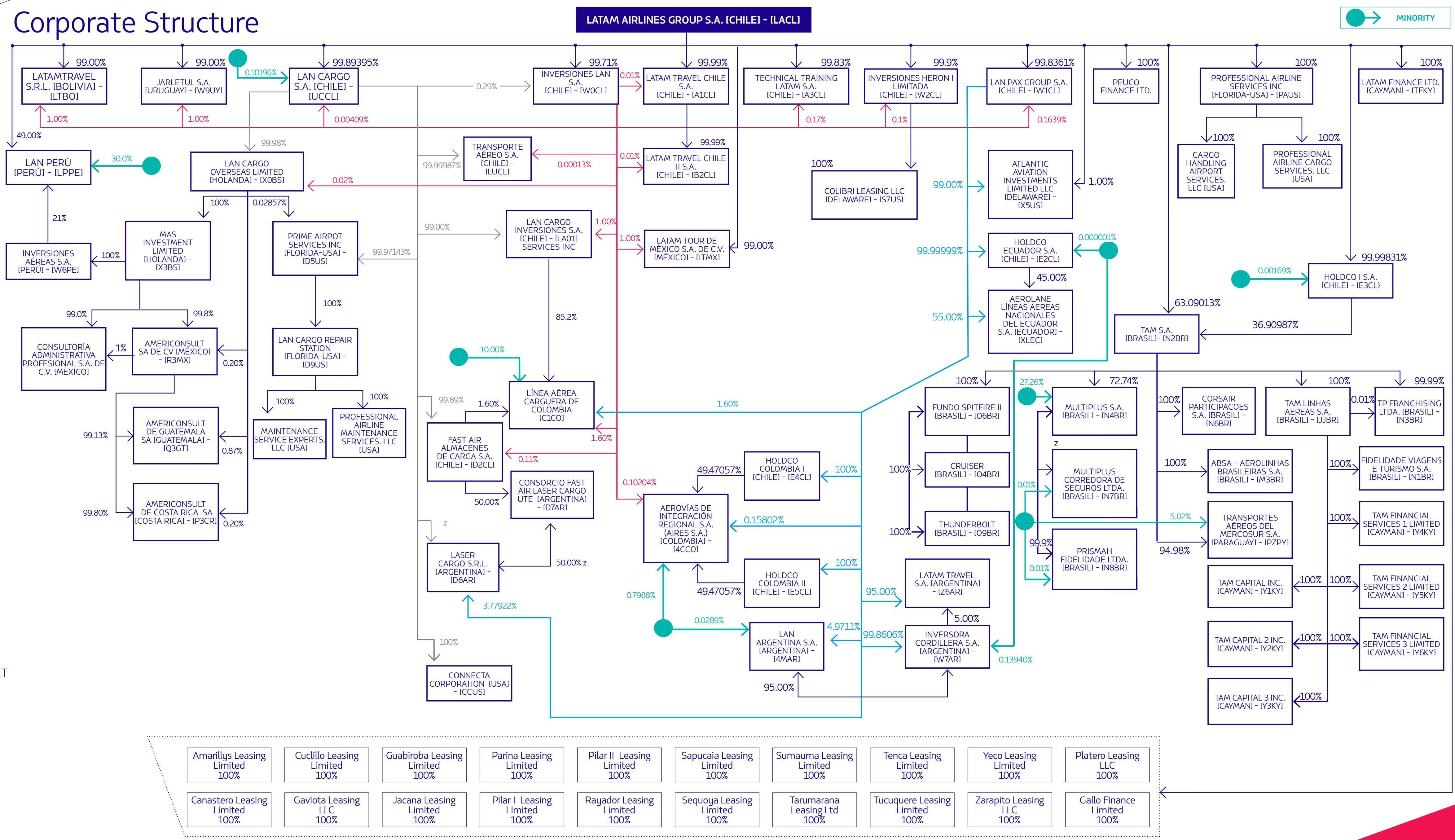
LATAM Travel S.R.L.

Consolidated Classified Statement of Financial Position	At December 31 2018 ThUS$
EQUITY	
Net equity attributable to the parent company's owners	(21)
Non-controlling interest	-
Total equity	(21)
TOTAL EQUITY AND LIABILITIES	18

Consolidated Statement of Earnings by Function	For the years ended on December 31, 2018 ThUS$
Revenues from ordinary activities	33
Gross profit	33
Profit (loss), before tax	(21)
Income tax expenses	-
PROFIT (LOSS) FOR THE PERIOD	(21)
Profit (loss) of the period, attributable to:	
Parent company's owners	(21)
Non-controlling interest	-
Profit (loss) for the period	(21)

Statement of Changes in Equity	Total equity MM$
Equity as of January 1, 2018	-
Total comprehensive income	(21)
Other increases (decreases) in equity	-
Closing balance at December 31, 2018	(21)

Corporate Structure



ANALYSIS OF THE FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENT

At December 31, 2018, the Company's assets totaled ThUS$17,566,777 which, compared to the value at December 31, 2017, represents a ThUS$1,231,195 decrease, equivalent to 6.5%.

The Company's current assets decreased by ThUS$439,137 (11.7%) compared to yearend 2017. The main decreases were seen in the following line items: Non-current assets or disposable groups of assets classified as held for sale worth ThUS$285,335 (98%); Other current financial assets worth ThUS$175,935 (31.4%); Cash and cash equivalents worth ThUS$60,362 (5.3%), and Trade debtors and other accounts receivables worth ThUS$51,468 (4.2%). The abovementioned items were compensated, in part, by the increases in: Other non-financial assets, current, worth ThUS$99,789 (45.1%), and on Inventory, worth ThUS$42,678 (18.0%).

The Company's liquidity index showed a decrease, going from 0.64 times at yearend 2017 to 0.59 times at December 2018. Current Assets and Liabilities decreased by 11.7% and 4.7%, respectively. Moreover, the quick ratio decreased from 0.20 times at yearend 2017 to 0.19 times at the end of the current period.

The Company's non-current assets decreased by ThUS$792,058 (5.3%) compared to yearend 2017. The main decreases were seen in the following line items: Goodwill worth ThUS$378,478 (14.2%) whose decreases were due, mainly, to the currency conversion of the Brazilian real to US dollars; Intangible assets other than goodwill worth ThUS$176, 175 (10.9%): Property, plant, and equipment worth ThUS$$111,970 (1.1%), which is mainly due to depreciation expenses in the period worth ThUS$763,923, in addition to ThUS$668,786; and Assets from deferred taxes worth ThUS$90,694 (24.9%).

At December 31, 2018, the Company's liabilities totaled ThUS$13,820,001 which, compared to the value as at December 31, 2017, represents a ThUS$710,735 decrease, equivalent to 4.9%.

The Company's current Liabilities decreased by ThUS$273,962 (4.7%) compared to yearend 2017. The main decreases were seen in the following line items: Other non-financial liabilities, current, worth ThUS$369,217 (13.1%); Trade accounts payable and other accounts payable worth ThUS$20,899 (1.2%) and Liabilities included in asset groups classified as held for sale worth ThUS$15,546 (100%). This was compensated mainly by the increase in Other financial liabilities, current, worth ThUS$129,840 (10.0%).

The Company's current Liabilities' indebtedness indicator increased 8.6%, from 1.40 times at yearend 2017 to 1.52 times at December 31, 2018. The impact of current Liabilities on total debt increased by 0.1 percentage points, from 40.21% at yearend 2017 to 40.29% at the end of the current period.

The Company's non-current liabilities decreased by ThUS$436,773 (5.0%), compared to the value as at December 31, 2017. The main decreases were seen in the following line items: Other financial liabilities worth ThUS$740,598 (11.2%), mainly explained by the net movement in obtaining and settling bank loans, secured obligations, and financial leasings, among other movements in the period; Liabilities from deferred taxes worth ThUS$77,576 (8.2%); Other provisions worth ThUS$71,098 (19.0%), compensated by the increase in Other non-financial liabilities worth ThUS$486,397 (307.3%), mainly explained by the renewal of the agreement with Banco Santander-Chile, which expands the alliance in Chile to continue developing travel benefits for their corresponding customers over the next 7 years.

The Company's non-current Liabilities' indebtedness indicator increased 8.2%, from 2.08 times at December 31, 2017 to 2.25 times at December 31, 2018. The impact of non-current Liabilities on total debt decreased by 0.1 percentage points, from 59.79% at yearend 2017 to 59.71% at December 2018.

The indicator of the Company's total indebtedness over Equity increased by 8.3% from 3.48 times at yearend 2017 to 3.77 times at the end of the current period.

At December 31, 2018, roughly 60% of the debt has a fixed rate or is linked to one of the financial instruments arranged. The average rate on the debt is 4.62%.

The Equity attributable to the owners of the parent company decreased by ThUS$509,253 from ThUS$4,176,089 at December 31, 2017 to ThUS$3,666,836 by December 31, 2018. This decrease was seen in Other reserves worth ThUS$631,811 (113.9%), mainly resulting from the negative effect of the adjustment in Reserves for currency exchange translation worth ThUS$597,615, largely explained by the translation adjustment caused by the Goodwill recognized in the combined businesses with TAM. This was slightly compensated by the positive variation in the accrued result, given the profit generated in 2018, attributable to the owners of the parent company, worth ThUS$181,935.

2. CONSOLIDATED INCOME STATEMENT

At December 31, 2018, the controlling company reported a ThUS$181,935 gain, translating into a ThUS$26,631 increase in revenue vs. the previous year's ThUS$155,304 profit. Net margin increased from 1.5% to 1.8% during 2018.

The operating income as at December 31, 2018 amounts to ThUS$705,119 which, compared to 2017, shows a ThUS$9,415 decrease, equivalent to 1.3%, whereas the operating margin settled at 6.8%, showing a 0.2 percentage-point decline.

Operating income at December 31, 2018 grew 2.0% vs. 2017, totaling ThUS$10,368,214.This was due to a 2.5% increase in passenger revenues and a 6.0% rise in Cargo revenues, partially offset by a 14.0% decrease in Other income. The effect of the Brazilian real's depreciation represents lower ordinary revenues worth around US$406 million.

Passenger revenues totaled ThUS$8,708,988 which, compared to the ThUS$8,494,477 from 2017, translates into a 2.5% increase. This variation is mainly due to the 5.0% increase in capacity measured in ASK, partially compensated by a 2.4% decrease in RASK as a result of a 0.4% reduction in yields, which were impacted by a slower macroeconomic scenario in some countries of South America, and due to the volatility and depreciation of local currencies (particularly the Brazilian real and the Argentinian peso), mainly affecting demand from international passengers. Moreover, the load factor reached 83.1%, translating into a 1.7 percentage-point decrease from the previous year.

At December 31, 2018, Cargo revenues totaled ThUS$1,186,468, representing a 6.0% increase vs. 2017. This hike is due to a 1.2% increase in yields and a 4.7% rise in traffic measured in RTK. The increase in yields continues to reflect signs of recovery in the environment for the cargo business on a global level, partly compensated by the negative impact on imports from the devaluation of the Argentinian peso and the Brazilian real, the latter of which also affected the revenues from the domestic market in Brazil. Moreover, capacity measured in ATK increased by 4.3%.

On the other hand, Other Revenues showed a ThUS$77,131 decrease vs. 2017, mainly due to the effect of implementing accounting standard IFRS 15 as of this year, combined with the effect of the Brazilian real's depreciation on the revenues from the loyalty program in Brazil and lower income from aircraft leasing to third parties. This was partly offset by higher revenues from the sale of aircrafts and other assets.

At December 31, 2018, Operating costs totaled US$9,663,095 which, compared to 2017, translate into ThUS$213,833 higher costs, equivalent to a 2.3% increase, whereas unit cost per ASK decreased by 2.6%. Furthermore, the effect of the Brazilian Real's depreciation on this line item translates into lower costs by roughly US$336 million. Item variations are explained as follows:

a) Wages and benefits decreased by ThUS$203,665 mainly due to the 14.5% and 68.5% depreciation of the Brazilian real and the Argentinian peso, respectively. Moreover, the average staff for the period decreased by 3.9%, in line with the Company's ongoing cost control initiatives.

b) Fuel increased 28.6%, equivalent to an additional ThUS$664,212 in costs. This hike was mainly due to the 25.1% rise in prices excluding hedges, added to the 4.2% increase in consumption measured in gallons. On the other hand, the Company recognized ThUS$28,993 in revenues from fuel hedges, compared to a ThUS$15,167 during the previous year, and ThUS$18,287 in income from currency hedges.

c) Commissions decreased by ThUS$29,968, mainly due to the regularization during 2018 of the expense recognized under commissions paid to third parties during 2017, as well as a lower percentage of commissions paid to indirect sales agencies from the passenger business this year. This was added to the effect of the depreciation of the Brazilian real.

d) Depreciation and Amortization decreased by ThUS$19,980 during 2018. This change is mainly explained by the depreciation of the Brazilian real, added to the removal of 2 Airbus A320 aircrafts and 1 Boeing 767. This was partly compensated by the incorporation of three Airbus A320 and 2 Airbus A350 aircrafts into the fleet.

e) Other Leasing and Landing Fees increased by ThUS$45,518, largely due to higher costs resulting from a larger operation and higher aircraft handling costs as a result of the sale of Andes Airport Services.

f) The passenger Service decreased by ThUS$8,383, translating into a 2.9% variation against 2017, mainly explained by a lower rate of impact on passengers during the last quarter of 2018 compared to the previous year. This was partly offset by an increase in the number of passengers transported and higher costs recognized during 2018, partially resulting from the cabin crew members' stoppage and the trucker strike in Brazil during the second quarter of 2018.

g) Aircraft Leasing contracted by ThUS$41,204, translating into a 7.1% drop compared to the previous year. This variation is mainly due to the removal of 2 Airbus A320 aircrafts and 1 Boeing 767. This was partly offset by the incorporation of 2 Airbus A320 and 3 Airbus A350 aircrafts.

h) Maintenance reported lower costs by ThUS$48,583, equivalent to an 11.3% reduction. This change is mainly explained by lower costs related to airplane redeliveries, the depreciation of the Brazilian real, and efficiencies resulting from the renewal of the fleet.

i) Other Operating Costs decreased by ThUS$144,114 equivalent to a 10.4% variation from the previous year, mainly due to the effect of implementing accounting standard IFRS 15, and to the effect of the benefits related to the change in booking system implemented during 2018, as well as the depreciation of the Brazilian real.

Financial revenues totaled ThUS$53,253 which, compared to the ThUS$78,695 from 2017, represent lower revenues by ThUS$25,442, mainly due to the drop in interest rates in Brazil.

Financial Costs decreased 9.4%, totaling ThUS$356,269 by December 31, 2018. This variation is mainly due to lower costs related to a lower debt level.

Other income/costs reported a negative ThUS$105,073, mainly explained by losses recognized as a result of the depreciation of the Brazilian Real during the first half of 2018. This was partially compensated by the income from the sale of Andes Airport Services and of aircrafts, and by revenues received from investments in mutual funds.

The main line items in the Consolidated Financial Statement of TAM S.A. and Affiliates, which caused a ThUS$72,549 currency exchange loss at December 31, 2018, were: Other financial liabilities; ThUS$31,751 loss due to USD-denominated loans and financial leasings for fleet acquisitions; and currency exchange variations in accounts receivable from related companies, totaling a profit of ThUS$76,822. The other net assets and liabilities line items generated a ThUS$117,620 loss.

Multiplus S.A. Results

Multiplus' net result at December 31, 2018 showed a ThUS$109,603 profit which, compared to the ThUS$158,784 from 2017, translates into a 31.0% decrease.

Revenues declined by 23.9%, mainly due to the effect of the 14.5% depreciation of the Brazilian real and, to a lesser extent, given an 11.7% decrease in expired points compared to the same period in the previous year. This was partially offset by a 4.5% increase in the redemption of points.

Operating costs decreased by 11.8%, mainly due to the depreciation of the Brazilian real. Moreover, in 2018, the redemption of points at partner businesses decreased by 11.6% compared to 2017.

Revenues/financial costs show a negative variation of 48.4%, which is mainly explained by the drop in interest rates in Brazil, added to the effect of the depreciation of the Brazilian real. This was partly offset by the placement of part of the company's cash under currency hedges linked to the dollar.

Analysis and explanation of Consolidated Net Cash Flow generated by Operating, Investment, and Financing Activities

Operating Cash Flow at December 31, 2018, shows a negative variation of ThUS$149,810 compared to the same period of a year earlier, mainly given the negative changes in the following concepts: Supplier payments for the provision of goods and services worth ThUS$608,677 and Other payments for operating activities worth ThUS$32,282.This was offset by positive variations in: Cash receipts from the sale of goods and services rendered worth ThUS$192,087; Payments to and on behalf of employees worth ThUS$166,288; Tax rebates (payments) on earnings worth ThUS$62,800, and Other cash inflows (outflows) worth ThUS$48,543.

The flow of investments showed a negative variation of ThUS$70,948 compared to the same period of the previous year. This variation is mainly explained by the negative changes in the following concepts: The net effect on Other cash receipts and payments on the sale of equity or debt instruments from other companies totaling ThUS$44,913, where the investments made by TAM S.A. and Affiliates in Private equity funds were recognized; and Purchases of property, plant, and equipment worth ThUS$257,041, mainly due to the incorporation of fixed assets, at December 31, 2018, where three Airbus A320 airplanes have been purchased, compared to the same period of a year earlier, when one Airbus A319 was purchased; all the above was partially offset by the sale of property, plant, and equipment worth ThUS$172,437.

Financing flows showed a positive variation of ThUS$126,879 compared to the same period of a year earlier, mainly explained by the positive variation of ThUS$783,529 in Loan payments. This is partly offset by the negative variations in: Sums from loans worth ThUS$365,602 and Payments on financial lease liabilities worth ThUS$347,786.

The flows from loans described above include the following events:

a) On April 10, 2017, a private issuance and placement of debt securities worth US$140 million was made under the current Enhanced Equipment Trust Certificates ("EETC") structure, issued and placed in 2015.

b) On April 11, 2017, an unsecured long-term bond worth US$700 million maturing in 2024 was issued and placed on the international market, pursuant to Rule 144-A and Regulation S of the US Securities Act.

c) On April 25, 2017, the TAM Capital I Inc. Bond was paid. The sums paid totaled US$300 million in capital and US$11 million in interest.

d) On August 17, 2017, LATAM issued Series A (BLATM-A), Series B (BLATM-B), Series C (BLATM-C), and Series D (BLATM-D) Bonds on the local market (Santiago Stock Exchange), corresponding to the first bond issuance charged to the credit line registered in the Securities Register of the Superintendency of Securities and Insurance ("SVS") under No. 862.

e) The total sum placed is equivalent to UF8,700,000 (US$358 million).

f) On September 1, 2017, TAM Capital 3 Inc. made an early redemption of the total bonds issued abroad on June 3, 2011 worth US$500 million at a rate of 8.375%, maturing on June 3, 2021.

g) On September 27, 2017, TAM Linhas Aereas S.A. paid the capital and corresponding interest on the last installment of the financing obtained in September a year earlier (US$200 million, guaranteed by roughly 18% of the stocks of Multiplus S.A. — a percentage subject to adjustment depending on the value of the shares used as guarantee). The sum paid was US$137 million.

h) In the period ended on December 31, 2018, the Company sold its stake in twenty-one permanent establishments. As a result of this, the classification of financial liabilities linked to 50 aircrafts was changed from secured obligations to financial leases.

Last, the Company's net cash flow at December 31, 2018 showed a negative change of ThUS$60,362 vs. the same period of the previous year.

FINANCIAL RISK ANALYSIS

The goal of the Company's global risk management program is to minimize the adverse effects of the financial risks that affect the company.

(a) Market risk

Given the nature of its business, the Company is exposed to market factors, such as: (i) fuel price risk, (ii) interest rate risk, and (iii) local exchange rate risk.

(i) Fuel price risk

To carry out its operations, the Company purchases fuel known as USGC 54 grade Jet Fuel, which is subject to variations in international fuel prices.

To hedge against fuel risk exposure, the Company trades in derivatives instruments (Swaps and Options) whose underlying assets may be different from Jet Fuel, whereby it is possible to hedge in West Texas Intermediate crude oil ("WTI"), Brent crude oil ("BRENT"), and distilled Heating Oil ("HO"), which are closely related to Jet Fuel and have greater liquidity.

At December 31, 2018, the Company recognized a ThUS$29,722 gain from fuel hedges net of premiums. Part of the spreads resulting between the lower and higher market value of these contracts is recognized as a hedge reserves component in the Company's net equity. At December 31, 2018, the market value of existing contracts stood at ThUS$15,811 (negative).

(ii) Exchange rate risk

The functional currency, also used in presenting the Parent Company's Financial Statements, is the US dollar; therefore, Transactional and Conversion exchange rate risks are mainly a result of the operating activities of the business, as well as the Company's strategic and accounting activities, which are presented in monetary units other than the functional currency.

Likewise, TAM S.A. and LATAM's Affiliates are also exposed to exchange rate risk whose impact affects the Company's Consolidated Result.

The greatest exposure to exchange rate risk for LATAM comes from the concentration of businesses in Brazil, as they are mainly denominated in Brazilian Real (BRL), and it is managed actively by the company.

The Company minimizes exchange risk exposure by contracting derivative instruments or through natural hedges or the execution of internal transactions.

At December 31, 2018, the Company recognized a gain of ThUS$18,287 from F/X hedges net of premiums. Part of the spreads resulting between the lower and higher market value of these contracts is recognized as a hedge reserves component in the Company's net equity.

At December 31, 2018, the Company has no active F/X derivatives contracts.

At December 31, the Company has contracted F/X derivatives that have not been recorded in hedge accounting. The market value of said positions totals ThUS$19,395 (positive). The Company recognizes fair value variations with an effect on the result of the period. At December 31, 2018, the sum recognized under results totals ThUS$11,683 (positive) net of premiums.

The Company has signed cross-currency swaps (CCS) to dollarize the cash flows of existing obligations, both contracted in Chile's inflation-linked units (Unidades de Fomento, UF), with a fixed interest rate. Through this financial instrument, it is possible to pay an interest rate in dollars, both fixed and floating (LIBOR plus a fixed spread).

At December 31, 2018, the market value of the CCS positions totaled ThUS$15,098 (positive).

(iii) Interest rate risk

The Company is exposed to variations in interest rates on the markets, affecting the future cash flows of its current and future financial assets and liabilities.

The Company is mainly exposed to the London Inter Bank Offer Rate ("LIBOR") and other less relevant interest rates, such as Brazilian Interbank Deposit Certificates ("CDI").

In order to reduce the risk from an eventual hike in interest rates, the Company has entered interest rate swap contracts. With regard to said contracts, the Company pays and receives, or only receives, as may be the case, the spread between the agreed fixed rate and the floating rate calculated on the capital outstanding in each contract. For these contracts, the Company recognized in the results of this period a ThUS$3,559 loss. Losses and gains on interest rate *swaps* are recognized as a component of the financial expense over the amortization of the hedged loan. At December 31, 2018, the market value of the existing interest rate swap contracts was ThUS$2,195 (negative).

At December 31, 2018, roughly 60% of the debt has a fixed rate or is linked to one of the above-mentioned instruments. The average rate on the debt is 4.62%.

(b) Concentration of credit risk

A high percentage of the Company's accounts receivable comes from passengers, cargo services for individuals, and various trade companies that are spread out both economically and geographically; thus, they are generally short term. Thereby, the Company is not exposed to a significant concentration of credit risk.

ECONOMIC ENVIRONMENT

In order to analyze the economic environment in which the Company exists, below we present a brief explanation of the situation and evolution of the main economies that affect it nationally, regionally, and worldwide.

During 2018, the world economy continued to expand; however, some important economies showed slower than expected growth during the second half of the year, given the weakening of the financial markets, uncertainty surrounding trade policies, and concerns regarding the outlook on China.

In 2018, world growth totaled 3.7%, which was in line with the latest market projections, adjusted downwards in October 2018. The global growth outlook for 2019 and 2020 has been downwardly revised, so that growth is now expected to reach 3.5% in 2019 (3.7% estimated formerly), with a slight 3.6% rebound by 2020 (3.7% estimated formerly). This is mainly because a sustained slowdown in the growth rate of advanced economies, as well as a temporary slowdown in the growth rates of emerging and developing economies, is expected during 2019, given contractions in countries such as Argentina and Turkey, and the potential impact of trade measures in Asia.

Financial conditions have already become tighter since October. Aside from the increased tensions generated by the trade war, other factors could lead ot an even greater deterioration, which would have a negative bearing on growth. Among those possible factors are the exit of the UK from the European union without reaching an agreement, and a sharper than expected slowdown in China.

In the US, growth reached 2.9% in 2018. Growth is expected to reach 2.5% in 2019 and 1.8% in 2020, as a setback is expected regarding fiscal stimulus, so the Fed funds rate should temporarily surpass the neutral interest rate.

In Europe, economic growth reached 1.8% in 2018. Growth forecasts for 2019 were downwardly revised, mainly due to lower outlooks for the German, Italian, and French economies. Growth is expected to reach 1.6% in 2019 and 1.7% by 2020.

On the other hand, Latin America showed 2.1% growth in 2018. Economic growth expectations for 2019 were also downwardly revised, as slower growth is expected in Mexico, given a decrease in private investment, and due to a sharper than expected contraction in Venezuela. Growth is expected to settle at 2.0% in 2019 and 2.5% by 2020.

In Brazil, growth reached 1.3% in 2018, while the growth outlook was upwardly revised, as the gradual recovery following the recession is expected to continue. For 2019, growth is expected to reach 2.5%, and for 2020, 2.2%.

In Chile, growth reached 4.0% in 2018. While economic policies are sound, the growth potential has slowed down in recent years, partly explained by a less dynamic global scenario; thus, growth is expected to settle at 3.4% in 2019 and 3.2% in 2020.

In this economic environment, the flexibility of the business model that the Company has implemented is essential to better face the economic fluctuations.

Below, we are presenting the main financial indicators in the Consolidated Financial Statement:

	31-12-2018	31-12-2017
LIQUIDITY INDICATORS		
Current liquidity (times) (Current assets in operation/current Liability)	0.59	0.64
Quick ratio (times) (Funds available/ current liabilities)	0.19	0.20
INDEBTEDNESS INDICATORS		
Indebtedness ratio (times) (Current liabilities+non-current liabilities/ Net equity)	3.77	3.48
Current debt/ Total debt (%)	40.29	40.21
Non-current debt/ Total debt (%)	59.71	59.79
Hedging of financial expenses (EBIT/financial expenses)	1.98	2.19
ACTIVITY INDICATORS		
Total Assets	17,566,777	18,797,972
Investments	4,208,946	3,510,077
Disposal of property	3,888,084	3,290,786

PROFITABILITY INDICATORS

Profitability indicators are calculated on equity and income attributable to Majority Shareholders.

	31-12-2018	31-12-2017
Return on Equity (Net income / average net equity)	0.05	0.04
Return on assets (Net income/ average assets)	0.01	0.01
Yield of operating assets (Net income/ operating assets (**) Average	0.01	0.01

(**) Total assets less deferred taxes, personnel current accounts, permanent and temporary investments, and goodwill.

	31-12-2018	31-12-2017
Earnings per share (Net income/ no. of paid-in shares)	0.30	0.26
Dividend returns (Dividends paid/ market price)	0.00	0.00

ANALYSIS OF THE FINANCIAL STATEMENTS

b) Below, we present the main financial indicators in the Consolidated Financial Statement:

	For the years ended on December 31	
	2018	2017
	MUS$	MUS$
Operating income	**10,368,214**	**10,163,796**
Passenger	8,708,988	8,494,477
Cargo	1,186,468	1,119,430
Others	472,758	549,889
Operating Costs	**(9,663,095)**	**(9,449,262)**
Compensation	(1,819,969)	(2,023,634)
Fuel	(2,983,028)	(2,318,816)
Fees	(222,506)	(252,474)
Depreciation and Amortization	(981,645)	(1,001,625)
Other Leasing and Landing Fees	(1,217,647)	(1,172,129)
Passenger Services	(280,279)	(288,662)
Aircraft Leasing	(538,347)	(579,551)
Maintenance	(382,242)	(430,825)
Other Operating Costs	(1,237,432)	(1,381,546)
Operating result	**705,119**	**714,534**
Operating Margin	***6.8%***	***7.0%***
Financial Revenues	53,253	78,695
Financial costs	(356,269)	(393,286)
Other Revenues / Costs	(105,074)	(25,725)
Earnings before interest and taxes	**297,029**	**374,218**
Taxes	(83,782)	(173,504)
Profit/loss before minority interest	**213,247**	**200,714**
Attributable to:		
Parent Company Investors	181,935	155,304
Minority interest	31,312	45,410
Net profit/loss	181,935	155,304
Net Margin	***1.8%***	***1.5%***
Effective Tax Rate	***28.2%***	***46.4%***
Total shares	606,407,693	606,407,693
Net earnings per share (US$)	0.30002	0.25610
EBITDA	**1,550,378**	**1,645,024**

SWORN STATEMENT

As directors, chief executive officer (CEO), and chief financial officer (CFO) of LATAM Airlines Group, we acknowledge our responsibility regarding the veracity of the information contained in the LATAM Integrated Report 2018.

Ignacio Cueto Plaza
President

Carlos Heller Solari
Vice-president

Juan José Cueto Plaza
Director

Georges de Bourguignon Arndt
Director

Henri Philippe Reichstul
Director

Giles Edward Agutter
Director

Eduardo Novoa Castellón
Director

Nicolás Eblen Hirmas
Director

Sonia Villalobos
Director

Enrique Cueto Plaza
Chief Executive Officer

Ramiro Alfonsín Balza
Chief Financial Officer

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LATAM – Sustainability
LATAM – Investor Relations

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LATAM archive