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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

November 21, 2018

Commission File Number 1-14728

LATAM Airlines Group S.A.
(Translation of Registrant's Name Into English)

**Presidente Riesco 5711, 20th floor
Las Condes
Santiago, Chile**
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):



LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	<u>Note</u>	<u>As of September 30,2018 ThUS\$ Unaudited</u>	<u>As of December 31,2017 ThUS\$</u>
Current assets			
Cash and cash equivalents	6 - 7	686,440	1,142,004
Other financial assets	7 - 11	626,723	559,919
Other non-financial assets	12	273,598	221,188
Trade and other accounts receivable	7 - 8	1,079,096	1,214,050
Accounts receivable from related entities	7 - 9	2,132	2,582
Inventories	10	267,710	236,666
Current tax assets	18	81,805	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		<u>3,017,504</u>	<u>3,454,396</u>
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners			
	13	33,791	291,103
Total current assets		<u>3,051,295</u>	<u>3,745,499</u>
Non-current assets			
Other financial assets	7 - 11	87,043	88,090
Other non-financial assets	12	237,513	220,807
Accounts receivable	7 - 8	5,512	6,891
Intangible assets other than goodwill	15	1,394,263	1,617,247
Goodwill	16	2,229,514	2,672,550
Property, plant and equipment	17	9,902,049	10,065,335
Current tax assets	18	15,732	17,532
Deferred tax assets	18	277,996	364,021
Total non-current assets		<u>14,149,622</u>	<u>15,052,473</u>
Total assets		<u><u>17,200,917</u></u>	<u><u>18,797,972</u></u>

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

LIABILITIES	Note	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Current liabilities			
Other financial liabilities	7 - 19	1,481,167	1,300,949
Trade and other accounts payables	7 - 20	1,652,473	1,695,202
Accounts payable to related entities	7 - 9	179	760
Other provisions	21	3,877	2,783
Current tax liabilities	18	8,218	3,511
Other non-financial liabilities	22	2,495,511	2,823,963
		<u>5,641,425</u>	<u>5,827,168</u>
Liabilities included in disposal groups classified as held for sale	13	12,843	15,546
Total current liabilities		<u>5,654,268</u>	<u>5,842,714</u>
Non-current liabilities			
Other financial liabilities	7 - 19	6,122,463	6,605,508
Accounts payable	7 - 24	497,485	498,832
Other provisions	21	324,165	374,593
Deferred tax liabilities	18	823,573	949,697
Employee benefits	23	91,337	101,087
Other non-financial liabilities	22	103,333	158,305
Total non-current liabilities		<u>7,962,356</u>	<u>8,688,022</u>
Total liabilities		<u>13,616,624</u>	<u>14,530,736</u>
EQUITY			
Share capital	25	3,146,265	3,146,265
Retained earnings	25	493,614	475,117
Treasury Shares	25	(178)	(178)
Other reserves		(121,869)	554,885
Parent's ownership interest		3,517,832	4,176,089
Non-controlling interest	14	66,461	91,147
Total equity		<u>3,584,293</u>	<u>4,267,236</u>
Total liabilities and equity		<u>17,200,917</u>	<u>18,797,972</u>

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	Note	For the 9 months ended September 30,		For the 3 months ended September 30,	
		2018	2017	2018	2017
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
		<u>Unaudited</u>			
Revenue	26	7,256,144	7,002,309	2,386,051	2,497,580
Cost of sales		(5,883,840)	(5,460,002)	(1,944,317)	(1,859,357)
Gross margin		1,372,304	1,542,307	441,734	638,223
Other income	28	323,727	393,908	105,930	147,454
Distribution costs		(471,684)	(540,155)	(146,662)	(200,696)
Administrative expenses		(507,659)	(655,077)	(128,616)	(242,246)
Other expenses		(306,721)	(296,474)	(97,435)	(98,264)
Other gains/(losses)		39,719	(19,928)	12,044	(18,798)
Income from operation activities		449,686	424,581	186,995	225,673
Financial income		34,227	66,656	9,300	24,432
Financial costs	27	(268,779)	(303,053)	(91,310)	(104,720)
Foreign exchange gains/(losses)	29	(145,593)	48,287	(67,521)	58,816
Result of indexation units		555	201	(2,534)	154
Income (loss) before taxes		70,096	236,672	34,930	204,355
Income (loss) tax expense / benefit	18	(18,831)	(107,603)	20,440	(26,096)
NET INCOME (LOSS) FOR THE PERIOD		51,265	129,069	55,370	178,259
Income (loss) attributable to owners of the parent		33,277	88,140	52,942	160,621
Income (loss) attributable to non-controlling interest	14	17,988	40,929	2,428	17,638
Net income (loss) for the year		51,265	129,069	55,370	178,259
EARNINGS PER SHARE					
Basic earnings (losses) per share (US\$)	30	0.05488	0.14535	0.08730	0.26487
Diluted earnings (losses) per share (US\$)	30	0.05488	0.14535	0.08730	0.26487

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the 9 months ended September 30,		For the 3 months ended September 30,	
		2018 ThUS\$	2017 ThUS\$	2018 ThUS\$	2017 ThUS\$
		Unaudited			
NET INCOME (LOSS)		51,265	129,069	55,370	178,259
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	(3,668)	2,526	(1,695)	(1,501)
Total other comprehensive income that will not be reclassified to income before taxes		(3,668)	2,526	(1,695)	(1,501)
Components of other comprehensive income that will be reclassified to income before taxes					
Currency translation differences					
Gains (losses) on currency translation, before tax	29	(728,971)	110,863	(118,920)	146,878
Other comprehensive income, before taxes, currency translation differences		(728,971)	110,863	(118,920)	146,878
Cash flow hedges					
Gains (losses) on cash flow hedges before taxes	19	39,515	18,126	7,006	25,455
Other comprehensive income (losses), before taxes, cash flow hedges		39,515	18,126	7,006	25,455
Total other comprehensive income that will be reclassified to income before taxes		(689,456)	128,989	(111,914)	172,333
Other components of other comprehensive income (loss), before taxes		(693,124)	131,515	(113,609)	170,832
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	961	(677)	456	197
Accumulate income tax relating to other comprehensive income that will not be reclassified to income		961	(677)	456	197
Income tax relating to other comprehensive income that will be reclassified to income					
Income tax related to cash flow hedges in other comprehensive income		151	(6,219)	(41)	(8,224)
Income taxes related to components of other comprehensive income that will be reclassified to income		151	(6,219)	(41)	(8,224)
Total Other comprehensive income		(692,012)	124,619	(113,194)	162,805
Total comprehensive income (loss)		(640,747)	253,688	(57,824)	341,064
Comprehensive income (loss) attributable to owners of the parent		(640,829)	208,355	(52,341)	316,940
Comprehensive income (loss) attributable to non-controlling interests		82	45,333	(5,483)	24,124
TOTAL COMPREHENSIVE INCOME (LOSS)		(640,747)	253,688	(57,824)	341,064

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												Total equity ThUS\$
	Note	Share capital ThUS\$	Treasury shares ThUS\$	Currency translation reserve ThUS\$	Cash flow hedging reserve ThUS\$	Change in other reserves				Retained earnings ThUS\$	Parent's ownership interest ThUS\$	Non-controlling interest ThUS\$	
						defined benefit plans reserve ThUS\$	Shares based payments reserve ThUS\$	Other sundry reserve ThUS\$	Total other reserve 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		—	—	—	—	—	—	—	—	(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	—	—	—	—	—	—	—	—	33,277	33,277	17,988	51,265
Other comprehensive income		—	—	(711,827)	40,371	(2,650)	—	—	(674,106)	—	(674,106)	(17,906)	(692,012)
Total comprehensive income		—	—	(711,827)	40,371	(2,650)	—	—	(674,106)	33,277	(640,829)	82	(640,747)
Transactions with shareholders													
Dividends	25	—	—	—	—	—	—	—	—	(9,983)	(9,983)	—	(9,983)
Increase (decrease) through transfers and other changes, equity	25-34	—	—	—	—	—	(1,576)	(1,072)	(2,648)	—	(2,648)	(24,768)	(27,416)
Total transactions with shareholders		—	—	—	—	—	(1,576)	(1,072)	(2,648)	(9,983)	(12,631)	(24,768)	(37,399)
Closing balance as of September 30, 2018 (Unaudited)		3,146,265	(178)	(2,843,417)	58,511	(13,576)	37,905	2,638,708	(121,869)	493,614	3,517,832	66,461	3,584,293

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Change in other reserves												
	Actuarial gains or losses on												
	Note	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	defined benefit plans reserve	Shares based payments reserve	Other sundry reserve	Total other reserve	Retained earnings	Parent's ownership interest	Non-controlling interest	Total equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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	—	—	—	—	—	—	—	—	88,140	88,140	40,929	129,069
Other comprehensive income		—	—	106,581	11,788	1,846	—	—	120,215	—	120,215	4,404	124,619
Total comprehensive income		—	—	106,581	11,788	1,846	—	—	120,215	88,140	208,355	45,333	253,688
Transactions with shareholders													
Dividends	25	—	—	—	—	—	—	—	—	(26,442)	(26,442)	—	(26,442)
Increase (decrease) through transfers and other changes, equity	25-34	(3,299)	—	—	—	—	803	(301)	502	—	(2,797)	(32,711)	(35,508)
Total transactions with shareholders		(3,299)	—	—	—	—	803	(301)	502	(26,442)	(29,239)	(32,711)	(61,950)
Closing balance as of September 30, 2017 (Unaudited)		<u>3,146,265</u>	<u>(178)</u>	<u>(1,979,974)</u>	<u>13,294</u>	<u>(11,054)</u>	<u>39,341</u>	<u>2,639,980</u>	<u>701,587</u>	<u>428,102</u>	<u>4,275,776</u>	<u>101,266</u>	<u>4,377,042</u>

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the periods ended September 30,	
		2018	2017
		ThUS\$	ThUS\$
<u>Unaudited</u>			
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		\$ 7,448,849	\$ 7,749,752
Other cash receipts from operating activities		68,738	51,424
Payments for operating activities			
Payments to suppliers for goods and services		(5,143,166)	(5,059,954)
Payments to and on behalf of employees		(1,395,536)	(1,475,997)
Other payments for operating activities		(182,722)	(163,707)
Income taxes refunded (paid)		(50,426)	(85,731)
Other cash inflows (outflows)	35	(9,754)	(59,480)
Net cash flows from operating activities		<u>735,983</u>	<u>956,307</u>
Cash flows used in investing activities			
Cash flows arising from losing control of subsidiaries or other businesses			
Cash flows arising from losing control of subsidiaries or other businesses		40,248	6,124
Other cash receipts from sales of equity or debt instruments of other entities		2,695,736	2,265,509
Other payments to acquire equity or debt instruments of other entities		(2,816,134)	(2,198,327)
Amounts raised from sale of property, plant and equipment		218,975	21,182
Purchases of property, plant and equipment		(502,259)	(246,923)
Purchases of intangible assets		(71,215)	(57,413)
Interest received		7,360	9,592
Other cash inflows (outflows)	35	416	(3,848)
Net cash flow from (used in) investing activities		<u>(426,873)</u>	<u>(204,104)</u>
Cash flows from (used in) financing activities			
Net cash flows from (used in) financing activities	35		
Amounts raised from long-term loans		769,162	1,275,470
Amounts raised from short-term loans		243,000	132,280
Loans repayments		(745,596)	(1,628,587)
Payments of finance lease liabilities		(575,172)	(244,153)
Dividends paid		(68,206)	(53,176)
Interest paid		(240,584)	(271,939)
Other cash inflows (outflows)		(7,969)	18,502
Net cash flows from (used in) financing activities		<u>(625,365)</u>	<u>(771,603)</u>
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		(316,255)	(19,400)
Effects of variation in the exchange rate on cash and cash equivalents		(139,309)	9,924
Net increase (decrease) in cash and cash equivalents		<u>(455,564)</u>	<u>(9,476)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	<u>1,142,004</u>	<u>949,327</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	<u>686,440</u>	<u>939,851</u>

The accompanying Notes 1 to 37 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018 (UNAUDITED)

NOTE 1 - GENERAL INFORMATION

LATAM Airlines Group S.A. (the “Company”) is a public limited company registered with the Commission for the Financial Market (1) under No. 306, whose shares are listed in Chile on the Stock Exchange of Brokers - Stock Exchange (Valparaiso), 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 different countries. In addition, the Company has subsidiaries that operate in the cargo business in Mexico, Brazil and Colombia.

The Company is located in Chile, in the city of Santiago, on Avenida Americo Vespucio Sur No. 901, Renca commune.

The Corporate Governance practices of the Company are governed by the provisions of the Securities Market Law, the Law on Public Limited Companies and its Regulations, and by the regulations of the Financial Market Commission (1) and the laws and regulations of the United States of America and the Securities and Exchange Commission (“SEC”) of that country, in what corresponds to the issuance of ADRs (2).

As of September 30, 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 Board of Directors of the Company is composed of nine regular members who are elected every two years by the Ordinary Shareholders’ Meeting. The Board of Directors meets in monthly ordinary sessions and in extraordinary sessions, whenever social needs so require. Of the nine members of the Board, three of them are part of its Directors Committee, which fulfills both the role envisaged in the Law on Public Limited Companies, and the functions of the Audit Committee required by the Sarbanes-Oxley Act of the United States. of North America and the respective regulations of the SEC.

(1) On February 23, 2017, Law No. 21,000 was published in the Official Gazette, creating the new Commission for the Financial Market (CMF), a collegiate and technical body that replaced the Superintendency of Securities and Insurance (SVS).

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 September 30, 2018, the Company had a total of 1,458 shareholders in its registry. At that date, approximately 2.03% of the Company's property was in the form of ADRs.

For the period ended September 30, 2018, the company had an average of 42,141 employees, ending this period with a total number of 40,974 people, distributed in 6,435 Administration employees, 4,833 in Maintenance, 13,135 in Operations, 9,238 Cabin Crew , 4,200 Cockpit Crew and 3,133 in Sales.

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

a) Participation rate

Tax No.	Company	Country of origin	Functional Currency	As of September 30, 20 18			As of December 31, 2017		
				Direct	Indirect	Total	Direct	Indirect	Total
				%	%	%	%	%	%
				Unaudited					
96.518.8 60-6	Latam Travel Chile S.A. and Subsidiary	Chile	US\$	99.990 0	0.0100	100 .00 00	99 .99 00	0.0100	100 .00 00
96.969 .68 0-0	Lan Pax Group S.A. and Subsidiaries	Chile	US\$	9 9.8 361	0.16 39	100 .00 00	99.8361	0.16 39	100 .00 00
Foreign	Lan Perú S.A.	Peru	US\$	49.000 0	21.00 00	70 .00 00	49 .00 00	21.00 00	70 .00 00
93.383 .00 0-4	Lan Cargo S.A.	Chile	US\$	99.893 9	0.0041	99 .89 80	99 .89 39	0.0041	99 .89 80
Foreign	Connecta Corporation	U.S.A.	US\$	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
Foreign	Prime Airport Services Inc. and Subsidiary	U.S.A.	US\$	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
96.951.2 80-7	Transporte Aéreo S.A.	Chile	US\$	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
Foreign	Lan Cargo Overseas Limited and Subsidiaries	Bahamas	US\$	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
96.969 .69 0-8	Lan Cargo Inversiones S.A. and Subsidiary	Chile	US\$	0.000 0	100 .00 00	100 .00 00	0 .00 00	100 .00 00	100 .00 00
96.575.8 10 -0	Inversiones Lan S.A. and Subsidiaries	Chile	US\$	99.710 0	0 .29 00	100 .00 00	99.7100	0 .29 00	100 .00 00
96.847.880 -K	Technical Training LATAM S.A.	Chile	CLP	99.830 0	0.1700	100 .00 00	99 .83 00	0.1700	100 .00 00
Foreign									
Foreign	Latam Finance Limited	Cayman Inland	US\$	100.000 0	0 .00 00	100 .00 00	100 .00 00	0 .00 00	100 .00 00
Foreign	Peuco Finance Limited	Cayman Inland	US\$	100.000 0	0 .00 00	100 .00 00	100 .00 00	0 .00 00	100 .00 00
Foreign	Profesional Airline Services INC.	U.S.A.	US\$	100.000 0	0 .00 00	100 .00 00	100 .00 00	0 .00 00	100 .00 00
Foreign	Jarletul S.A.	Uruguay	US\$	99.000 0	1.00 00	100 .00 00	0 .00 00	0 .00 00	0 .00 00
Foreign	TAM S.A. and Subsidiaries (*)	Brazil	BRL	6 3.0 901	36 .90 99	100 .00 00	63.0901	36 .90 99	100 .00 00

(*) As of September 30, 2018, the indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., a company over which LATAM Airlines Group S.A. it has a 99.9983% share on economic rights and 49% of political rights as a result of the provisional measure No. 714 of the Brazilian government implemented during 2016 that allows foreign capital to have up to 49% ownership. In this 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 total 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% of the total shares with voting rights of said company.

b) Financial Information

		Statement of financial position						Net Income	
		As of September 30, 2018			As of December 31, 2017			For the periods ended	
Tax No .	Company	Assets	Liabilities	Equity	Assets	Liabilities	Equity	September 30,	
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	2018	2017
		Unaudited						Gain /(loss)	
		Unaudited						ThUS\$	ThUS\$
96.518.860-6	Latam Travel Chile S.A. and Subsidiary	8,553	2,330	6,223	6,771	2,197	4,574	1,653	1,136
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (*)	593,135	1,339,120	(748,738)	499,345	1,101,548	(596,406)	(123,672)	(36,819)
Foreign	Lan Perú S.A.	492,500	501,993	(9,493)	315,607	303,204	12,403	(16,318)	9,789
93.383.000-4	Lan Cargo S.A.	482,304	294,241	188,063	584,169	371,934	212,235	(23,241)	(52,376)
Foreign	Connecta Corporation	73,762	39,067	34,695	38,735	17,248	21,487	13,208	8,235
Foreign	Prime Airport Services Inc. and Subsidiary (*)	15,993	18,528	(2,535)	12,671	15,722	(3,051)	527	418
96.951.280-7	Transporte Aéreo S.A.	312,618	123,562	189,056	324,498	104,357	220,141	(31,281)	25,214
96.631.520-2	Fast Air Almacenes de Carga S.A.	14,659	7,039	7,620	12,931	4,863	8,068	53	419
Foreign	Laser Cargo S.R.L.	33	12	21	18	27	(9)	(3)	2
Foreign	Lan Cargo Overseas Limited and Subsidiaries (*)	63,415	40,617	16,090	66,039	42,271	18,808	(729)	5,490
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (*)	175,256	184,837	(8,801)	144,884	156,005	(10,112)	1,311	5,205
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (*)	1,414	49	1,365	11,681	5,201	6,377	(4,742)	1,671
96.847.880-K	Technical Training LATAM S.A.	2,039	437	1,602	1,967	367	1,600	119	(132)
Foreign	Latam Finance Limited	678,902	744,595	(65,693)	678,289	708,306	(30,017)	(35,676)	(19,393)
Foreign	Peuco Finance Limited	608,191	608,191	—	608,191	608,191	—	—	—
Foreign	Professional Airline Services INC.	1,723	1,422	301	3,703	3,438	265	35	—
Foreign	Jarletul S.A.	1	1	—	—	—	—	—	—
Foreign	TAM S.A. and Subsidiaries (*)	4,326,830	3,087,053	1,178,060	4,490,714	3,555,423	856,829	(18,283)	117,256

(*) 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 September 30, 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 arising 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. ownership 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 September 30, 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 is 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 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

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 September 30, 2018, have been prepared in accordance with IAS 34 Interim Financial Reporting, which is included in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") incorporated therein and with the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC).

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.

The interim consolidated financial statements has been prepared accordance with the accounting policy used by the Group for the consolidated financial statements 2017, except for standards and interpretations adopted as from January 1, 2018.

(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
	Date of issue	Mandatory application: exercises started at from
(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 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 31	Effect		As of 1
		december	adoption		january
		2017	IFRS 9	IFRS 15	2018
		ThUS\$	THUS\$	ThUS\$	ThUS\$
			Unaudited	Unaudited	Unaudited
Current assets					
Other non-financial assets, current	7 - 11	221,188	—	54,361(4)	275,549
Trade debtors and other accounts receivable, curren	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 calculate percentage 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					Total ThUS\$
	Up to date ThUS\$	Up to 90 days ThUS\$	Up to 91 to 180 days ThUS\$	Up to 181 to 365 days ThUS\$	More than 365 days 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:

<u>Assets</u>	Classification IAS 39				Classification IFRS 9		Total ThUS\$
	Loans and receivables	Hedge and derivatives	Held for trading	Initial as fair value through profit and loss	Cost amortized	At fair value with changes in results	
	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

<u>Liabilities</u>	Classification IAS 39		Classification IFRS 9	
	Others	Held	Cost	Total
	financial	hedge	amortized	
	liabilities	derivatives		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	—
Accounts payable to entities related, not current	—	—	—	—
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.

(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. 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 third quarter of the year 2018 in the consolidated income statement are presented below.

		For the 9 months ended September 30, 2018				
Reconciliation Revenue		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\$	
Unaudited						
Revenue	26	7,220,295	—	25,876	15,621	7,261,792
Cost of sales		(5,879,840)	—	(24,811)	—	(5,904,651)
Gross margin		1,340,455	—	1,065	15,621	1,357,141
Other income	28	323,727	—	—	39,090	362,817
Distribution costs		(471,151)	1,737	—	(13,481)	(482,895)
Administrative expenses		(495,659)	4,057	—	(41,230)	(532,832)
Other expenses		(306,721)	—	—	—	(306,721)
Other gains/(losses)		39,719	—	—	—	39,719
Income from operation activities		430,370	5,794	1,065	—	437,229
Financial income		34,227	—	—	—	34,227
Financial costs	27	(268,779)	—	—	—	(268,779)
Foreign exchange gains/(losses)	29	(145,593)	—	—	—	(145,593)
Result of indexation units		555	—	—	—	555
Income (loss) before taxes		50,780	5,794	1,065	—	57,639
Income (loss) tax expense / benefit	18	(16,612)	(1,654)	600	—	(17,666)
NET INCOME (LOSS) FOR THE		34,168	4,140	1,665	—	39,973
Income (loss) attributable to of the parent		16,180	4,140	1,665	—	21,985
Income (loss) attributable to non-controlling interest	14	17,988	—	—	—	17,988
Net income (loss) for the year		34,168	4,140	1,665	—	39,973

		For the 3 months ended September 30, 2018				
Reconciliation Revenue		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\$	
Unaudited						
Revenue	26	2,386,051	—	256	14,907	2,401,214
Cost of sales		(1,944,317)	—	(3,874)	—	(1,948,191)
Gross margin		441,734	—	(3,618)	14,907	453,023
Other income	28	105,930	—	—	4,843	110,773
Distribution costs		(146,662)	1,296	—	(6,364)	(151,730)
Administrative expenses		(128,616)	(1,334)	—	(13,386)	(143,336)
Other expenses		(97,435)	—	—	—	(97,435)
Other gains/(losses)		12,044	—	—	—	12,044
Income from operation activities		186,995	(38)	(3,618)	—	183,339
Financial income		9,300	—	—	—	9,300
Financial costs	27	(91,310)	—	—	—	(91,310)
Foreign exchange gains/(losses)	29	(67,521)	—	—	—	(67,521)
Result of indexation units		(2,534)	—	—	—	(2,534)
Income (loss) before taxes		34,930	(38)	(3,618)	—	31,274
Income (loss) tax expense / benefit	18	20,440	9	3,265	—	23,714
NET INCOME (LOSS) FOR THE		55,370	(29)	(353)	—	54,988
Income (loss) attributable to owners of the parent		52,942	(29)	(353)	—	52,560
Income (loss) attributable to non-controlling interest	14	2,428	—	—	—	2,428
Net income (loss) for the year		55,370	(29)	(353)	—	54,988

(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
(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 with a term greater than 12 months. This 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. As for the effects on the result, the monthly lease payments will be replaced by the depreciation of the asset and the recognition of a financial expense.

We are evaluating the impact that the adoption of the new lease rule will have on the consolidated financial statements. Currently, we believe that the adoption of this new standard will have a significant impact on the consolidated statement of financial position due to the recording of an asset for right of use and a liability, corresponding to the recording of the leases that are currently registered as operating leases.

LATAM Airlines Group S.A. and subsidiaries is analyzing this rule to determine the effects it may have on its consolidated financial statements, covenants and other financial indicators.

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 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. The carrying value and any related impairment is restated for inflation when appropriate.

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. The carrying value and any related impairment is restated for inflation when appropriate.

2.7. Borrowing costs

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

2.8. Losses for impairment of non-financial assets

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

2.9. Financial assets

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

(c) Derivatives not booked as a hedge

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

2.11. Inventories

Inventories, detailed in Note 10, are shown at the lower of cost and their net realizable value, the carrying value and any related impairment is restated for inflation when appropriate. 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 current tax is comprised of income and deferred taxes.

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

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

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

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

2.18. Employee benefits

(a) Personnel vacations

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

(b) Share-based compensation

The compensation plans implemented 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 revenue which one is recognized as income either when the transportation service is rendered or when the ticket expired, the carrying value and any related impairment is restated for inflation when appropriate. In the case of air transport services sold by the Company and that will be rendered by other airlines, the liability is reduced when they are remitted to those airlines. The Company periodically reviews whether it is necessary to adjust the Deferred Revenue, 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 monthly 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. The carrying value and any related impairment is restated for inflation when appropriate.

(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 provision of transportation service 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.

(c) 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 period ended September 30, 2018, the Company recognized gains of US\$ 29.2 million for fuel net premium coverage. During the same period of 2017, the Company recognized losses of US\$ 1.9 million for the same concept.

As of September 30, 2018, the market value of fuel positions amounted to US\$ 26.2 million (positive). 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 September 30, 2018 (Unaudited) (*)

	Maturities			
	Q418	Q119	Q219	Total
Percentage of coverage over the expected volume of consumption	51%	30%	22%	34%

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

Positions as of December 31, 2017 (*)

	Maturities			Total
	Q118	Q218	Q318	
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 second 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 September 2018 and the end of December, 2017.

Benchmark price (US\$ per barrel)	Positions as of September 30, 2018 effect on equity (millions of US\$)	Positions as of December 31, 2017 effect on equity (millions of US\$)
	Unaudited	
+5	+5.5	+1.8
-5	-7.4	-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 \$ 100.6 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 \$ 111.5 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 September 30, 2018, the market value of FX derivative positions amounted to US\$ 5.6 million (positive). At the end of December 2017, this market value was US \$ 4.4 million (positive).

During the period ended September 30, 2018, the Company recognized gains of US\$ 13.9 million for FX net premium coverage. During the same period of 2017, the company recognized losses of US\$ 6.3 million for this concept.

As of September 30, 2018, the Company has contracted FX derivatives for US\$ 100 million for BRL. By the end of December 2017, the company had contracted FX derivatives for US\$ 180 million for BRL.

As of September 30, the company has contracted FX derivatives which have not been recorded under hedge accounting. The market value of these positions amounts to US\$ 16.3 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 September 30, 2018, the amount recognized in results amounts to US \$ 14.7 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.

The following table shows the awareness of FX derivative instruments according to reasonable changes in the exchange rate and its effect on equity. The projection term was defined until the end of the last contract of coverage in force, being the last business day of the fourth quarter of the year 2018:

Appreciation (depreciation) of R\$	Effect at September 30, 2018 Millions of US\$	Effect at December 31, 2017 Millions of US\$
	Unaudited	
-10%	-3.3	-10.7
+10%	+2.2	+9.7

During 2017, the Company contracted derivative currency swaps to hedge debt issued the same year for a notional UF 8.7 million. As of September 30, 2018, the market value of derivative positions of currency swaps amounted to US\$ 44.3 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 September 30, 2018 Millions of US\$	Effect at September 30, 2017 Millions of US\$
	Unaudited	Unaudited
-10%	+36.4	+128.7
+10%	-36.4	-128.7

(*) 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 September 30, 2018 Millions of US\$	Effect at December 31, 2017 Millions of US\$
	Unaudited	
-10%	+371.33	+386.62
+10%	-303.81	-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 September 30, 2018, the market value of the derivative positions of interest rates amounted to US \$ 2.8 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 September 30, 2018 effect on profit or loss before tax (millions of US\$)	Positions as of September 30, 2017 effect on profit or loss before tax (millions of US\$)
	Unaudited	Unaudited
+100 basis points	-30.29	-30.14
-100 basis points	+30.29	+30.14

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 September 30, 2018 effect on equity (millions of US\$)	Positions as of December 31, 2017 effect on equity (millions of US\$)
	Unaudited	
+100 basis points	+0.98	+1.9
-100 basis points	-1.00	-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 September 30, 2018 is US\$ 1,200 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 September 30, 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 September 30, 2018 (Unaudited) 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\$	—	114,900	—	—	—	114,900	113,000	At Expiration	3.36	3.36
97.032.000-8	BBVA	Chile	UF	53,528	—	—	—	—	53,528	53,027	At Expiration	2.66	1.86
97.036.000-K	SANTANDER	Chile	US\$	90,729	—	—	—	—	90,729	90,000	At Expiration	3.22	3.22
97.030.000-7	ESTADO	Chile	US\$	40,309	—	—	—	—	40,309	40,000	At Expiration	3.09	3.09
97.003.000-K	BANCO DO BRASIL	Chile	US\$	100,796	50,532	—	—	—	151,328	150,000	At Expiration	3.22	3.22
97.951.000-4	HSBC	Chile	US\$	12,073	—	—	—	—	12,073	12,000	At Expiration	2.43	2.43
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	6,093	17,975	23,295	—	—	47,363	45,621	Quarterly	3.35	3.35
0-E	BLADDEX	U.S.A	US\$	8,219	7,980	7,740	—	—	23,939	22,500	Semiannual	6.33	6.33
97.036.000-K	SANTANDER	Chile	US\$	1,437	681	160,234	—	—	162,352	160,234	Quarterly	5.17	5.17
76.362.099-9	BTG PACTUAL CHILE	Chile	UF	533	1,599	73,033	—	—	75,165	68,769	At Expiration	3.10	3.10
Obligations with the public													
0-E	BANK OF NEW YORK	U.S.A	US\$	42,188	42,188	632,500	96,250	748,125	1,561,251	1,200,000	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	9,911	9,911	39,646	210,393	227,700	497,561	360,416	At Expiration	5.50	5.50
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US\$	2,425	5,658	14,365	5,582	—	28,030	26,021	Quarterly	4.24	3.79
0-E	BNP PARIBAS	U.S.A	US\$	23,647	54,864	153,676	145,899	269,875	647,961	536,755	Quarterly	4.28	4.27
0-E	WILMINGTON TRUST COMPANY	U.S.A	US\$	31,508	95,722	250,190	270,320	558,547	1,206,287	973,380	Quarterly	4.47	4.47
0-E	CITIBANK	U.S.A	US\$	12,686	38,098	101,558	82,872	72,657	307,871	280,058	Quarterly	3.72	2.84
0-E	US BANK	U.S.A	US\$	18,429	55,169	146,212	144,845	104,083	468,738	427,103	Quarterly	4.00	2.82
0-E	NATIXIS	France	US\$	13,726	41,195	109,548	93,537	135,168	393,174	334,644	Quarterly	4.28	4.28
0-E	P K AirFinance	U.S.A	US\$	2,463	7,569	24,414	6,933	—	41,379	39,895	Monthly	3.87	3.87
0-E	INVESTEC	England	US\$	4,698	8,730	26,625	26,240	2,646	68,939	57,337	Semiannual	6.91	6.91
Other guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US\$	2,787	7,861	274,568	—	—	285,216	253,692	At Expiration	4.03	4.03
0-E	DVB BANK S E	Germany	US\$	27,179	80,637	207,612	138,942	25,258	479,628	434,969	Quarterly	3.99	3.99
Financial leases													
0-E	ING	U.S.A	US\$	4,025	12,076	16,158	—	—	32,259	30,469	Quarterly	5.70	5.01
0-E	CREDIT AGRICOLE	France	US\$	6,186	18,672	25,284	—	—	50,142	48,485	Quarterly	3.14	2.70
0-E	CITIBANK	U.S.A	US\$	14,764	44,237	88,949	48,758	1,781	198,489	185,235	Quarterly	4.16	3.57
0-E	P EFCO	U.S.A	US\$	9,598	15,432	7,779	—	—	32,809	31,609	Quarterly	5.58	4.96
0-E	BNP PARIBAS	U.S.A	US\$	7,555	22,778	30,273	—	—	60,606	58,161	Quarterly	3.80	3.44
0-E	WELLS FARGO	U.S.A	US\$	37,122	111,300	288,203	244,630	128,825	810,080	762,785	Quarterly	2.79	2.12
97.036.000-K	SANTANDER	Chile	US\$	6,278	18,795	49,598	32,849	—	107,520	100,565	Quarterly	3.42	2.88
0-E	RRPF ENGINE	England	US\$	1,146	3,423	8,993	8,781	5,940	28,283	23,833	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A	US\$	1,698	5,091	13,484	13,344	2,417	36,034	32,974	Quarterly	3.74	3.14
0-E	BTMU	U.S.A	US\$	3,443	10,318	27,302	26,977	4,119	72,159	66,096	Quarterly	3.74	3.14
0-E	NATIXIS	France	US\$	5,037	14,328	14,855	1,682	—	35,902	33,931	Quarterly	3.86	3.71
0-E	KFW IPEX-BANK	Germany	US\$	1,759	5,310	7,160	—	—	14,229	13,899	Quarterly	3.96	3.96
0-E	AIRBUS FINANCIAL	U.S.A	US\$	2,064	6,171	9,872	—	—	18,107	17,316	Monthly	4.00	4.00
Other loans													
0-E	CITIBANK (*)	U.S.A	US\$	26,867	76,563	130,186	—	—	233,616	220,134	Quarterly	6.00	6.00
Derivatives of coverage													
-	Others	—	US\$	2,572	1,644	4,223	—	—	8,439	7,772	—	—	—
Total				635,478	1,007,407	2,967,535	1,598,834	2,287,141	8,496,395	7,312,685			

(*) 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 September 30, 2018 (Unaudited)
 Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to	More	More	More	More than	Total	Nominal value	Amortization	Effective rate	Nominal rate
				90 days	than 90 days to one year	than one to three years	than three to five years	than five years					
Bank loans													
0-E	NEDERLANDS CHE												
	CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	176	499	1,332	222	—	2,229	1,987	Monthly	6.01	6.01
Financial leases													
0-E	NATIXIS	France	US\$	2,483	9,364	48,782	42,023	—	102,652	97,393	Quarterly / Semiannual	6.42	6.42
0-E	WACAPOU LEAS ING S.A.	Luxembourg	US\$	838	2,431	6,536	820	—	10,625	9,946	Quarterly	4.40	4.40
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,582	32,292	172,545	—	—	216,419	217,485	Quarterly	5.58	5.51
	Total			15,079	44,586	229,195	43,065	—	331,925	326,811			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of September 30, 2018 (Unaudited)
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal	Amortization	Effective rate %	Nominal rate %
				90 days	90 days to one year	one to three years	three to five years	five years		value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	508,398	18,274	—	—	—	526,672	526,672	—	—	—
			CLP	112,245	1,202	—	—	—	113,447	113,447	—	—	—
			BRL	236,893	525	—	—	—	237,418	237,418	—	—	—
			Other currencies	426,368	2,286	—	—	—	428,654	428,654	—	—	—
Accounts payable to related parties currents													
Extranjera	Inversora Aeronáutica Argentina S.A. Viajes Falabella Ltda.	Argentina	US\$	16	—	—	—	—	16	16	—	—	—
78.997.060-2		Chile	CLP	140	—	—	—	—	140	140	—	—	—
0-E	Inversora Aeronáutica Argentina Consultoría Administrativa Profesional S.A. de C.V. y Filiales	Argentina	US\$	5	—	—	—	—	5	5	—	—	—
0-E	Bethia S.A. y Filiales	Mexico	MXN	—	—	—	—	—	—	—	—	—	—
78.591.370-1		Chile	CLP	11	—	—	—	—	11	11	—	—	—
Extranjera	TAM Aviação Executiva e Taxi Aéreo S.A.	Chile	CLP	7	—	—	—	—	7	7	—	—	—
Total				<u>1,284,083</u>	<u>22,287</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,306,370</u>	<u>1,306,370</u>			
Total consolidated				<u>1,934,640</u>	<u>1,074,280</u>	<u>3,196,730</u>	<u>1,641,899</u>	<u>2,287,141</u>	<u>10,134,690</u>	<u>8,945,866</u>			

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	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate	Nominal rate
				90 days	90 days to one year	one to three years	three to five years	five years					
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 BANCO DO BRASIL	Chile	US \$	40,257	—	—	—	—	40,257	40,000	At Expiration	2.57	2.57
97.003.000-K	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	BLADDEX	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 P.A.R.I.B.A.S	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	FARGO WELLS WILMINGTON TRUST	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	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 P.A.R.I.B.A.S	U.S.A.	US \$	13,955	35,567	50,433	2,312	—	102,267	98,105	Quarterly	3.66	3.25
0-E	FARGO WELLS	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
Derivatives of coverage													
-	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			

(*) Securitized bond 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	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate	Nominal rate
				90 days	90 days to one year	one to three years	three to five years	five years					
Bank loans													
0-E	NEDERLANDSCHE 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	More than	More than	More than	More than	Total	Nominal	Amortization	Effective rate %	Nominal rate %
				90 days	90 days	one to three	three to five	five years		value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	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	US\$	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 September 30, 2018, US \$ 5.0 million have been delivered in guarantees corresponding to cash and standby letters of credit. The decrease was due to: i) the expiration of hedge contracts, ii) 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 September 30, 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 September 30, 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 September 30, 2018				As of December 31, 2017			
	Fair value measurements using values considered as				Fair value measurements using value considered as			
	Fair	Level I	Level II	Level III	Fair value	Level I	Level II	Level III
	(Unaudited)							
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Assets								
Cash and cash equivalents	82,426	82,426	—	—	29,658	29,658	—	—
Short-term mutual funds	82,426	82,426	—	—	29,658	29,658	—	—
Other financial assets, current	608,022	530,253	77,769	—	536,001	473,653	62,348	—
Fair value derived interest rate	25,617	—	25,617	—	3,113	—	3,113	—
Fair value of fuel derivatives	25,724	—	25,724	—	10,711	—	10,711	—
Fair value derived from foreign currency	26,428	—	26,428	—	48,322	—	48,322	—
Interest accrued since the last payment date of Cross Currency Swap	—	—	—	—	202	—	202	—
Derivatives of foreign currency not recorded as hedge	16,307	16,307	—	—	—	—	—	—
Private investment funds	513,941	513,941	—	—	472,232	472,232	—	—
Domestic and foreign bonds	5	5	—	—	1,421	1,421	—	—
Other financial assets, not current	443	—	443	—	519	—	519	—
Fair value derived from foreign currency	443	—	443	—	519	—	519	—
Liabilities								
Other financial liabilities, current	4,119	—	4,119	—	12,200	—	12,200	—
Fair value of interest rate derivatives	1,826	—	1,826	—	8,919	—	8,919	—
Fair value of foreign currency derivative	—	—	—	—	2,092	—	2,092	—
Interest accrued since the last payment date of Currency Swap	2,293	—	2,293	—	1,189	—	1,189	—
Other financial liabilities, non current	571	—	571	—	2,617	—	2,617	—
Fair value of interest rate derivatives	571	—	571	—	2,617	—	2,617	—

Additionally, at September 30, 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 September 30, 2018		As of December 31, 2017	
	Book value	Fair value	Book value	Fair value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Cash and cash equivalents	604,014	604,014	1,112,346	1,112,346
Cash on hand	7,323	7,323	8,562	8,562
Bank balance	318,329	318,329	330,430	330,430
Overnight	196,154	196,154	239,292	239,292
Time deposits	82,208	82,208	534,062	534,062
Other financial assets, current	18,701	18,701	23,918	23,918
Other financial assets	18,701	18,701	23,918	23,918
Trade debtors, other accounts receivable and Current accounts receivable	1,079,096	1,079,096	1,214,050	1,214,050
Accounts receivable from entities related, current	2,132	2,132	2,582	2,582
Other financial assets, not current	86,600	86,600	87,571	87,571
Accounts receivable, non-current	5,512	5,512	6,891	6,891
Other current financial liabilities	1,477,048	1,636,127	1,288,749	1,499,495
Accounts payable for trade and other accounts payable, current	1,652,473	1,652,473	1,695,202	1,695,202
Accounts payable to entities related, current	179	179	760	760
Other financial liabilities, not current	6,121,892	6,056,261	6,602,891	6,738,872
Accounts payable, not current	497,485	497,485	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 September 30, 2018, goodwill amount to ThUS\$ 2,229,514 (ThUS\$ 2,672,550 as of December 31, 2017), while the intangible assets comprise the Airport Slots for ThUS\$ 803,462 (ThUS\$ 964,513 as of December 31, 2017) and Loyalty Program for ThUS\$ 265,571 (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 September 30, 2018 amounts to ThUS\$ 1,795,053 and ThUS\$ 434,461 (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 September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Airport Slots	803,462	964,513	—	—
Loyalty program	—	—	265,571	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 September 30, 2018, the Company has recognized deferred tax assets of ThUS\$ 277,996 (ThUS\$ 364,021 as of December 31, 2017) and has ceased to recognize deferred tax assets on tax losses of ThUS\$ 152,802 (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 monthly 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 September 30, 2018, deferred revenues associated with air tickets sold amounted to ThUS\$ 1,368,362 (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 September 30, 2018, the deferred revenue associated with the LATAM Pass loyalty program amounts to ThUS\$ 776,995 (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\$ 26,722 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\$ 340,602 as of September 30, 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\$ 9,971 on the results of 2018 (ThUS\$ 8,777 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
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

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 earnings	4,752

The effect of inflation on the Company's net monetary position in the consolidated income statements for the 9-month period ended September 30, 2018 were as follows:

	ThUS\$
Assets	522
Liabilities	550
Loss	(28)

(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 and 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 21,6 million members, together with being an entity with a separate administration and a business not directly related to air transport.

For the 9 months ended

	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At September 30,		At September 30,		At September 30,		At September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Unaudited								
Income from ordinary activities from external customers (*)	7,248,754	6,661,665	46,612	340,644	(39,222)	—	7,256,144	7,002,309
Passenger	6,374,348	5,879,255	46,612	340,644	(39,222)	—	6,381,738	6,219,899
Freight	874,406	782,410	—	—	—	—	874,406	782,410
Income from ordinary activities from transactions with other operating segments	—	340,644	—	51,349	—	(391,993)	—	—
Other operating income	238,302	207,912	85,425	185,996	—	—	323,727	393,908
Interest income	12,349	23,594	21,878	43,062	—	—	34,227	66,656
Interest expense	(268,779)	(303,053)	—	—	—	—	(268,779)	(303,053)
Total net interest expense	(256,430)	(279,459)	21,878	43,062	—	—	(234,552)	(236,397)
Depreciation and amortization	(729,023)	(740,946)	(5,164)	(6,954)	—	—	(734,187)	(747,900)
Material non-cash items other than depreciation and amortization	(175,603)	10,348	36	(154)	—	—	(175,567)	10,194
Disposal of fixed assets and inventory losses	(19,307)	(29,733)	—	—	—	—	(19,307)	(29,733)
Doubtful accounts	(11,221)	(8,417)	(1)	(144)	—	—	(11,222)	(8,561)
Exchange differences	(145,630)	48,297	37	(10)	—	—	(145,593)	48,287
Result of indexation units	555	201	—	—	—	—	555	201
Income (loss) attributable to owners of the parents (**)	(46,598)	(43,786)	79,875	131,926	—	—	33,277	88,140
Expenses for income tax	13,274	(59,990)	(32,105)	(47,613)	—	—	(18,831)	(107,603)
Segment profit / (loss)	(28,610)	(2,857)	79,875	131,926	—	—	51,265	129,069
Assets of segment	16,015,418	17,657,524	1,190,623	1,475,610	(5,124)	(7,080)	17,200,917	19,126,054
Liabilities of segment	13,108,783	14,211,779	530,946	608,563	(23,105)	(71,330)	13,616,624	14,749,012
Amount of non-current asset additions	476,536	264,157	—	—	—	—	476,536	264,157
Property, plant and equipment	406,194	206,713	—	—	—	—	406,194	206,713
Intangibles other than goodwill	70,342	57,444	—	—	—	—	70,342	57,444

(*) 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\$ (7,768) product of the application of IAS 21 and IAS 29, for the subsidiaries that are in hyperinflationary economies.

For the 9 months ended

	Air transportation At September 30,		Coalition and loyalty program Multiplus At September 30,		Eliminations At September 30,		Consolidated At September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited							
Purchase of non-monetary assets of segment	573,474	304,336	—	—	—	—	573,474	304,336
Net cash flows from								
Purchases of property, plant and equipment:								
Additions associated with maintenance	250,543	126,439	—	—	—	—	250,543	126,439
Other additions	251,654	120,457	62	27	—	—	251,716	120,484
Purchases of intangible assets (***)	67,477	56,163	3,738	1,250	—	—	71,215	57,413
Other additions	67,477	56,163	3,738	1,250	—	—	71,215	57,413
Net cash flows from (used in)								
Operating activities	659,796	814,574	115,369	170,212	(39,182)	(28,479)	735,983	956,307
Investing activities	(423,640)	(198,812)	(3,233)	(5,291)	—	—	(426,873)	(204,103)
Financing activities	(552,506)	(606,945)	(72,859)	(164,658)	—	—	(625,365)	(771,603)

(***) The Company does not have cash flows from purchases of intangible assets associated with maintenance.

(b) For the 3 months ended

	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At September 30,		At September 30,		At September 30,		At September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited							
Income from ordinary activities from external customers (*)	2,389,034	2,386,809	9,028	110,771	(12,011)	—	2,386,051	2,497,580
Passenger	2,110,151	2,114,656	9,028	110,771	(12,011)	—	2,107,168	2,225,427
Freight	278,883	272,153	—	—	—	—	278,883	272,153
Income from ordinary activities from transactions with other operating segments	—	110,771	—	13,006	—	(123,777)	—	—
Other operating income	81,273	82,667	24,657	64,787	—	—	105,930	147,454
Interest income	4,604	7,151	4,696	17,281	—	—	9,300	24,432
Interest expense	(91,310)	(104,720)	—	—	—	—	(91,310)	(104,720)
Total net interest expense	(86,706)	(97,569)	4,696	17,281	—	—	(82,010)	(80,288)
Depreciation and amortization	(243,554)	(249,255)	(1,629)	(2,938)	—	—	(245,183)	(252,193)
Material non-cash items other than depreciation and amortization	(82,855)	42,727	34	(6)	—	—	(82,821)	42,721
Disposal of fixed assets and inventory losses	(7,163)	(11,957)	—	—	—	—	(7,163)	(11,957)
Doubtful accounts	(5,602)	(4,293)	(1)	1	—	—	(5,603)	(4,292)
Exchange differences	(67,556)	58,823	35	(7)	—	—	(67,521)	58,816
Result of indexation units	(2,534)	154	—	—	—	—	(2,534)	154
Income (loss) attributable to owners of the parents (**)	33,977	110,730	18,965	49,891	—	—	52,942	160,621
Expenses for income tax	27,251	(18,129)	(6,811)	(7,967)	—	—	20,440	(26,096)
Segment profit / (loss)	36,405	128,368	18,965	49,891	—	—	55,370	178,259
Assets of segment	16,015,418	17,657,524	1,190,623	1,475,610	(5,124)	(7,080)	17,200,917	19,126,054
Liabilities of segment	13,108,783	14,211,779	530,946	608,563	(23,105)	(71,330)	13,616,624	14,749,012
Amount of non-current asset additions	168,477	93,823	—	—	—	—	168,477	93,823
Property, plant and equipment	142,642	74,533	—	—	—	—	142,642	74,533

Intangibles other than goodwill	25,835	19,290	—	—	—	—	25,835	19,290
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(*) 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\$ (7,768) product of the application of IAS 21 and IAS 29, for the subsidiaries that are in hyperinflationary economies.

For the 3 months ended

	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At September 30,		At September 30,		At September 30,		At September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited							
Purchase of non-monetary assets of segment	251,292	76,849	—	—	—	—	251,292	76,849
Net cash flows from								
Purchases of property, plant and equipment:								
Additions associated with maintenance	79,180	37,178	—	—	—	—	79,180	37,178
Other additions	145,665	20,235	62	27	—	—	145,727	20,262
Purchases of intangible assets (***)	26,154	18,695	231	714	—	—	26,385	19,409
Other additions	26,154	18,695	231	714	—	—	26,385	19,409
Net cash flows from (used in)								
Operating activities	261,744	511,352	54,925	2,827	(41,736)	(27,376)	274,933	486,803
Investing activities	(378,062)	(42,000)	(324)	(88)	—	—	(378,386)	(42,088)
Financing activities	11,878	(677,632)	(12,510)	(2,735)	—	—	(632)	(680,367)

(***) The company does not have the cash flows of intangible asset acquisitions associated with maintenance.

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

	For the 9 months ended		For the 3 months ended	
	At September 30,		At September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Unaudited				
Peru	489,693	455,523	193,780	172,409
Argentina	811,594	861,564	217,495	285,835
U.S.A.	725,692	647,863	233,918	224,502
Europe	560,473	467,241	187,369	165,558
Colombia	269,199	237,761	90,770	86,968
Brazil	2,476,241	2,485,779	842,598	939,193
Ecuador	150,278	141,091	49,448	50,135
Chile	1,163,163	1,138,469	381,675	378,940
Asia Pacific and rest of Latin America	609,811	567,018	188,998	194,040
Income from ordinary activities	7,256,144	7,002,309	2,386,051	2,497,580
Other operating income	323,727	393,908	105,930	147,454

The Company allocates revenues by geographic area based on the point of sale of the passenger ticket or cargo. Assets are composed primarily of aircraft and aeronautical equipment, which are used throughout the different countries, so it is not possible to assign a geographic area.

The Company has no customers that individually represent more than 10% of sales.

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of	As of
	September 30,	December 31,
	2018	2017
	ThUS\$	ThUS\$
Unaudited		
Cash on hand	7,323	8,562
Bank balances	318,329	330,430
Overnight	196,154	239,292
Total Cash	521,806	578,284
Cash equivalents		
Time deposits	82,208	534,062
Mutual funds	82,426	29,658
Total cash equivalents	164,634	563,720
Total cash and cash equivalents	686,440	1,142,004

Cash and cash equivalents are denominated in the following currencies:

<u>Currency</u>	As of	As of
	September 30,	December 31,
	2018	2017
	ThUS\$	ThUS\$
	Unaudited	
Argentine peso	4,088	12,135
Brazilian real	109,294	106,499
Chilean peso	28,194	81,845
Colombian peso	13,896	7,264
Euro	14,926	11,746
US Dollar	461,604	882,114
Other currencies	54,438	40,401
Total	<u>686,440</u>	<u>1,142,004</u>

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of September 30, 2018 (Unaudited)

<u>Assets</u>	Measured	At fair value	Hedge	Total
	at amortized	with	derivatives	
	cost	changes in		Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	604,014	82,426	—	686,440
Other financial assets, current (*)	18,706	530,248	77,769	626,723
Trade and others accounts receivable, current	1,079,096	—	—	1,079,096
Accounts receivable from related entities, current	2,132	—	—	2,132
Other financial assets, non current (*)	86,600	—	443	87,043
Accounts receivable, non current	5,512	—	—	5,512
Total	<u>1,796,060</u>	<u>612,674</u>	<u>78,212</u>	<u>2,486,946</u>

Liabilities

	Measured	Hedge	Total
	at amortized	derivatives	
	cost		Total
	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current	1,477,048	4,119	1,481,167
Trade and others accounts payable, current	1,652,473	—	1,652,473
Accounts payable to related entities, current	179	—	179
Other financial liabilities, non-current	6,121,892	571	6,122,463
Accounts payable, non-current	497,485	—	497,485
Total	<u>9,749,077</u>	<u>4,690</u>	<u>9,753,767</u>

(*) 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

<u>Assets</u>	Loans and receivables	Hedge derivatives	Held for trading	Initial 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

<u>Liabilities</u>	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 September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$
Cash and cash equivalents	686,440	1,142,004
Argentine peso	4,088	12,135
Brazilian real	109,294	106,499
Chilean peso	28,194	81,845
Colombian peso	13,896	7,264
Euro	14,926	11,746
US Dollar	461,604	882,114
Other currencies	54,438	40,401
Other financial assets (current and non- current)	713,766	648,009
Argentine peso	144	297
Brazilian real	523,369	475,810
Chilean peso	26,003	26,679
Colombian peso	515	1,928
Euro	7,547	7,853
US Dollar	154,076	133,431
Other currencies	2,112	2,011
Trade and other accounts receivable, current	1,079,096	1,214,050
Argentine peso	54,665	49,958
Brazilian real	406,508	635,890
Chilean peso	111,057	83,415
Colombian peso	8,524	3,249
Euro	32,492	48,286
US Dollar	182,085	257,324
Other currencies (*)	283,765	135,928
Accounts receivable, non- current	5,512	6,891
Brazilian real	3	4
Chilean peso	5,509	6,887
Accounts receivable from related entities, current	2,132	2,582
Brazilian real	262	2
Chilean peso	107	735
US Dollar	1,763	1,845
Total assets	2,486,946	3,013,536
Argentine peso	58,897	62,390
Brazilian real	1,039,436	1,218,205
Chilean peso	170,870	199,561
Colombian peso	22,935	12,441
Euro	54,965	67,885
US Dollar	799,528	1,274,714
Other currencies	340,315	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.

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

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Trade accounts receivable	913,707	1,175,796
Other accounts receivable	260,339	133,054
Total trade and other accounts receivable	1,174,046	1,308,850
Less: Allowance for impairment loss	(89,438)	(87,909)
Total net trade and accounts receivable	1,084,608	1,220,941
Less: non-current portion – accounts receivable	(5,512)	(6,891)
Trade and other accounts receivable, current	<u>1,079,096</u>	<u>1,214,050</u>

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	<u>47,216</u>
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	<u>87,909</u>
Total	<u>1,175,796</u>

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

As of September 30, 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	from 91 to	from 181 to	more of	Total
	ThUS\$	90 days	180 days	360 days	360 days	ThUS\$
Expected loss rate (1)	3%	5%	34%	56%	79%	7%
Gross book value (2)	721,850	94,280	15,134	19,596	62,847	913,707
Impairment loss provision	(19,289)	(4,585)	(5,172)	(10,879)	(49,513)	(89,438)

(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	As of
	September 30,	December 31,
	2018	2017
	ThUS\$	ThUS\$
	Unaudited	
Argentine Peso	54,665	49,958
Brazilian Real	406,511	635,894
Chilean Peso	116,566	90,302
Colombian peso	8,524	3,249
Euro	32,492	48,286
US Dollar	182,085	257,324
Other currency (*)	283,765	135,928
Total	1,084,608	1,220,941
(*) Other currencies		
Australian Dollar	82,049	40,303
Chinese Yuan	4,304	37
Danish Krone	1,315	197
Pound Sterling	19,117	5,068
Indian Rupee	6,025	3,277
Japanese Yen	42,068	18,756
Norwegian Kroner	1,006	133
Swiss Franc	5,118	2,430
Korean Won	27,398	18,225
New Taiwanese Dollar	5,485	2,983
Other currencies	89,880	44,519
Total	283,765	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\$	Adjustment adoption IFRS 9 (*) ThUS\$	Punishments ThUS\$	(Increase) Decrease ThUS\$	Closing balance ThUS\$
From January 1 as of September 30, 2017 (IAS 39) (Unaudited)	(77,054)	—	2,549	(11,019)	(85,524)
From October 1 to December 31, 2017	(85,524)	—	5,700	(8,085)	(87,909)
From January 1 as of September 30, 2018 (IFRS 9) (Unaudited)	(87,909)	(10,499)	7,820	1,150	(89,438)

(*) 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 September 30, 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\$
	Unaudited					
Trade accounts receivable	913,707	(89,438)	824,269	1,175,796	(87,909)	1,087,887
Other accounts receivable	260,339	—	260,339	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

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	<u>Currency</u>	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Foreign	Qatar Airways	Indirect shareholder	Qatar	US\$	1,154	1,845
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	958	728
Foreign	TAM Aviação Executiva e					
	Taxi Aéreo S.A. Granja Marina	Common shareholder	Brazil	BRL	—	2
87.752.000-5	Tomagaleones S.A.	Common shareholder	Chile	CLP	20	5
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	CLP	—	2
	Total current assets				<u>2,132</u>	<u>2,582</u>

(b) Accounts payable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	<u>Currency</u>	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
78.997.060-2	Viajes Falabella Ltda.	Related director	Chile	CLP	140	534
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	11	12
Foreign	Inversora Aeronáutica Argentina S.A.	Related director	Argentina	US\$	16	4
Foreign	Consultoría Administrativa					
	Profesional S.A. de C.V.	Related company	Mexico	MXN	—	210
Foreign	TAM Aviação Executiva					
	e Taxi Aéreo S.A.	Common shareholder	Brazil	BRL	7	—
96.810.370-9	Inversiones Costa Verde Ltda y CPA.	Related director	Chile	CLP	5	—
	Total current liabilities				<u>179</u>	<u>760</u>

Transactions between related parties have been carried out on free-trade conditions between interested and duly-informed parties. The transaction times are between 30 and 45 days, and the nature of settlement of the transactions is monetary.

NOTE 10 -INVENTORIES

The composition of Inventories is as follows:

	As of September 30, 2018 <u>ThUS\$</u> Unaudited	As of December 31, 2017 <u>ThUS\$</u>
Technical stock	224,586	195,530
Non-technical stock	43,124	41,136
Total	<u>267,710</u>	<u>236,666</u>

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence, as per the following detail:

	As of September 30, 2018 <u>ThUS\$</u> Unaudited	As of December 31, 2017 <u>ThUS\$</u>
Provision for obsolescence Technical stock	17,644	21,839
Provision for obsolescence Non-technical stock	6,586	6,488
Total	<u>24,230</u>	<u>28,327</u>

The resulting amounts do not exceed the respective net realization values.

As of September 30, 2018, the Company recorded ThUS\$ 96,865 (ThUS\$ 100,556 as of September 30, 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 September 2018	As of December 31, 2017	As of September 2018	As of December 31, 2017	As of September 2018	As of December 31, 2017
	ThUS \$ Unaudited	ThUS \$	ThUS \$ Unaudited	ThUS \$	ThUS \$ Unaudited	ThUS \$
(a) Other financial assets						
Private investment funds	513,941	472,232	—	—	513,941	472,232
Deposits in guarantee (aircraft)	12,223	15,690	40,395	41,058	52,618	56,748
Guarantees for margins of derivatives	661	2,197	—	—	661	2,197
Other investments	—	—	493	494	493	494
Domestic and foreign bonds	5	1,421	—	—	5	1,421
Other guarantees given	5,817	6,031	45,712	46,019	51,529	52,050
Subtotal of other financial assets	532,647	497,571	86,600	87,571	619,247	585,142
(b) Hedging assets						
Interest accrued since the last payment d						
of Cross currency swap	—	202	—	—	—	202
Fair value of interest rate derivatives	25,617	3,113	—	—	25,617	3,113
Fair value of foreign currency derivatives	26,428	48,322	443	519	26,871	48,841
Fair value of fuel price derivatives	25,724	10,711	—	—	25,724	10,711
Subtotal of hedging assets	77,769	62,348	443	519	78,212	62,867
(c) Derivatives not recognized as a hedge						
Foreign currency derivatives						
not recognized as a hedge	16,307	—	—	—	16,307	—
Subtotal of hedging assets	16,307	—	—	—	16,307	—
Total Other Financial Assets	626,723	559,919	87,043	88,090	713,766	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 September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	Unaudited ThUS\$	ThUS\$	Unaudited ThUS\$	ThUS\$	Unaudited ThUS\$	ThUS\$
(a) Advance payments						
Aircraft leases	32,158	31,322	12,341	4,718	44,499	36,040
Aircraft insurance and other	23,377	17,681	—	—	23,377	17,681
Others	8,185	10,012	1,020	1,186	9,205	11,198
Subtotal advance payments	63,720	59,015	13,361	5,904	77,081	64,919
(b) Contract assets (1)						
GDS costs	12,853	—	—	—	12,853	—
Commissions credit cards	16,566	—	—	—	16,566	—
Commissions travel agencies	15,186	—	—	—	15,186	—
Costs ground services	2,297	—	—	—	2,297	—
Subtotal assets of contracts	46,902	—	—	—	46,902	—
(c) Other assets						
Aircraft maintenance reserve (2)	15,111	21,505	51,836	51,836	66,947	73,341
Sales tax	136,073	137,866	48,457	37,959	184,530	175,825
Other taxes	10,813	2,475	—	—	10,813	2,475
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	327	327	670	670	997	997
Judicial deposits	—	—	123,174	124,438	123,174	124,438
Others	652	—	15	—	667	—
Subtotal other assets	162,976	162,173	224,152	214,903	387,128	377,076
Total Other Non - Financial Assets	273,598	221,188	237,513	220,807	511,111	441,995

(1) As of September 30, 2018 the costs of activated contracts amount to ThUS\$ 185,867 and the amortization of the period is ThUS\$ 138,965.

(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 September 30, 2018, maintenance reserves amount to ThUS\$ 66,947 (ThUS\$ 74,341 as of December 31, 2017), corresponding to 12 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 September 30, 2018 and December 31, 2017, are detailed below:

	As of September 30, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Current assets	Unaudited	
Aircraft	256	236,022
Engines and rotables	5,830	9,197
Other assets	27,705	45,884
Total	<u>33,791</u>	<u>291,103</u>
Current liabilities		
Other liabilities	12,843	15,546
Total	<u>12,843</u>	<u>15,546</u>

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, a motor spare B767 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	As of
	September 30, 2018	December 31, 2017
	Unaudited	
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, 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:

Name of significant subsidiary	Country of incorporation	Functional currency	Ownership	
			As of	As of
			September 30, 2018	December 31, 2017
			%	%
			Unaudited	
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	99.20120	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

Name of significant subsidiary	Statement of financial position as of September 30, 2018						Results for the period ended September 30, 2018	
	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\$
	Unaudited						Unaudited	
Lan Perú S.A.	492,500	448,198	44,302	501,993	500,261	1,732	871,860	(7,996)
Lan Cargo S.A.	482,304	218,657	263,647	294,241	248,606	45,635	190,997	(23,241)
Lan Argentina S.A.	183,128	175,506	7,622	273,011	270,064	2,947	154,878	(132,538)
Transporte Aéreo S.A.	312,618	63,261	249,357	123,562	27,479	96,083	231,221	(31,281)
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	124,214	106,029	18,185	103,606	96,921	6,685	174,821	4,354
Aerovías de Integración Regional, AIRES S.A.	127,669	54,602	73,067	87,413	75,864	11,549	215,366	(6,396)
TAM S.A. (*)	4,326,830	2,102,420	2,224,410	3,087,053	1,785,670	1,301,383	3,434,453	(18,283)

Name of significant subsidiary	Statement of financial position as of December 31, 2017						Results for the period ended September 30, 2017	
	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\$
	Unaudited						Unaudited	
Lan Perú S.A.	315,607	294,308	21,299	303,204	301,476	1,728	727,869	1,847
Lan Cargo S.A.	584,169	266,836	317,333	371,934	292,529	79,405	186,072	(19,086)
Lan Argentina S.A.	198,951	166,445	32,506	143,731	139,914	3,817	276,530	(25,413)
Transporte Aéreo S.A.	324,498	30,909	293,589	104,357	36,901	67,456	211,424	3,177
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	96,407	66,166	30,241	84,123	78,817	5,306	164,361	2,614
Aerovías de Integración Regional, AIRES S.A.	138,138	64,160	73,978	91,431	80,081	11,350	201,806	(17,370)
TAM S.A. (*)	4,490,714	1,843,822	2,646,892	3,555,423	2,052,633	1,502,790	2,977,791	22,345

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

(b) Non-controlling

Equity	Tax No.	Country of origin	As of		As of		As of	
			September 30, 2018	September 30, 2017	December 31, 2017	September 30, 2018	December 31, 2017	
			%		%		ThUS\$	
			Unaudited		Unaudited		Unaudited	
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	30.00000	(2,846)	3,722	
Lan Cargo S.A. and Subsidiaries	93.3 83.0 00-4	Chile	0.10196	0.10196	0.10196	227	849	
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	51.00000	4,781	4,578	
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0.13940	0.13940	0.13940	3,028	3,502	
Lan Argentina S.A.	0-E	Argentina	0.02842	0.02842	0.02842	(499)	79	
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	1.00000	—	1	
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	1.00000	11	12	
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	10.00000	(365)	(520)	
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.79880	0.80944	0.80944	407	461	
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	5.02000	1,736	1,324	
Multiplus S.A. (*)	0-E	Brazil	27.26000	27.26000	27.26000	59,981	77,139	
Total						66,461	91,147	

Incomes	Tax No.	Country of origin	For the period ended		For the 9 months ended		For the 3 months ended	
			September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
			%		%		ThUS\$	
			Unaudited		Unaudited		Unaudited	
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	(4,895)	2,937	(3,045)	3,185
Lan Cargo S.A. and Subsidiaries	93.3 83.0 00-4	Chile	0.10196	0.10196	(43)	(7)	(68)	(10)
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	310	1,552	80	488
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0.70422	0.70422	92	117	92	—
Lan Argentina S.A.	0-E	Argentina	0.13440	0.13440	19	24	19	—
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	(1)	—	—	—
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	154	612	(27)	312
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.79880	0.80586	(52)	(110)	(25)	(11)
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	792	194	256	141
Multiplus S.A. (*)	0-E	Brazil	27.26000	27.26000	21,612	35,610	5,146	13,533
Total					17,988	40,929	2,428	17,638

(*) On September 4, 2018, LATAM Airlines Brazil sent 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 September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS \$	ThUS \$	ThUS \$	ThUS \$
	Unaudited		Unaudited	
Airport slots	803,462	964,513	803,462	964,513
Loyalty program	265,571	321,440	265,571	321,440
Computer software	164,219	160,970	517,669	509,377
Developing software	129,549	123,415	129,549	123,415
Trade marks (1)	31,006	46,909	51,670	62,539
Other assets	456	—	1,315	—
Total	1,394,263	1,617,247	1,769,236	1,981,284

Movement in Intangible assets other than goodwill:

	Computer software Net	Developing software	Airport slots (2)	Trade marks 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	2,455	54,989	—	—	57,444
Withdrawals	(240)	(671)	—	—	(911)
Transfer software	43,469	(43,485)	—	—	(16)
Foreing exchange	1,983	748	28,149	10,923	41,803
Amortization	(36,302)	—	—	(7,242)	(43,544)
Closing balance as of September 30, 2017 (Unaudited)	<u>168,381</u>	<u>102,634</u>	<u>1,006,998</u>	<u>387,076</u>	<u>1,665,089</u>
Opening balance as of October 1, 2017	168,381	102,634	1,006,998	387,076	1,665,089
Additions	5,998	23,891	—	—	29,889
Withdrawals	(4)	(13)	—	—	(17)
Transfer software	2,314	(2,095)	—	—	219
Foreing exchange	(3,198)	(1,002)	(42,485)	(16,382)	(63,067)
Amortization	(12,521)	—	—	(2,345)	(14,866)
Closing balance as of December 31, 2017	<u>160,970</u>	<u>123,415</u>	<u>964,513</u>	<u>368,349</u>	<u>1,617,247</u>
Opening balance as of January 1, 2018	160,970	123,415	964,513	368,349	1,617,247
Additions	791	69,551	—	—	70,342
Withdrawals	(403)	(120)	—	—	(523)
Transfer software	56,008	(57,425)	—	—	(1,417)
Foreing exchange	(12,455)	(5,872)	(161,051)	(63,395)	(242,773)
Amortization	(40,294)	—	—	(8,377)	(48,671)
Adjustment application IAS 29 by hyperinflation Argentina	58	—	—	—	58
Closing balance as of September 30, 2018 (Unaudited)	<u>164,675</u>	<u>129,549</u>	<u>803,462</u>	<u>296,577</u>	<u>1,394,263</u>

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 September 30, 2018, amounts to ThUS \$ 422,134 (ThUS \$ 373,463 as of December 31, 2017).

NOTE 16 – GOODWILL

Goodwill as of September 30, 2018, amounts to ThUS \$ 2,229,514 (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 ThUS\$	Coalition and loyalty program Multiplus ThUS\$	Total ThUS\$
Opening balance as of January 1, 2017	2,176,634	533,748	2,710,382
Increase (decrease) due to exchange rate differences	60,316	15,349	75,665
Closing balance as of September 30, 2017 (Unaudited)	<u>2,236,950</u>	<u>549,097</u>	<u>2,786,047</u>
Opening balance as of October 1, 2017	2,236,950	549,097	2,786,047
Increase (decrease) due to exchange rate differences	(90,258)	(23,239)	(113,497)
Closing balance as of December 31, 2017	<u>2,146,692</u>	<u>525,858</u>	<u>2,672,550</u>
Opening balance as of January 1, 2018	2,146,692	525,858	2,672,550
Increase (decrease) due to exchange rate differences	(350,286)	(91,397)	(441,683)
Adjustment IAS 29, hyperinflation Argentina	335	—	335
Others	(1,688)	—	(1,688)
Closing balance as of September 30, 2018 (Unaudited)	<u>1,795,053</u>	<u>434,461</u>	<u>2,229,514</u>

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, 2017 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)	RS/US\$	3.3 - 3.9	3.3 - 3.9
Discount rate based on the weighted average cost of capital (WACC)	%	7.55 - 8.55	
Discount rate based on cost of equity (CoE)	%	-	12.4 - 13.4
Fuel Price from futures price curves commodities markets	US\$/barrel	73-78	

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	8.55	-	1.0
Coalition and loyalty program Multiplus CGU	-	13.4	4.0

In none of the previous cases impairment in the cash-generating unit was presented.

As of September 30, 2018, no signs of impairment have been identified for the CGU Multiplus Coalition and Loyalty Program and for the CGU Transporte Aéreo that require a impairment test.

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 September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$
Construction in progress (1)	670,436	556,822	—	—	670,436	556,822
Land	44,652	49,780	—	—	44,652	49,780
Buildings	178,392	190,552	(65,083)	(66,004)	113,309	124,548
Plant and equipment	8,026,679	9,222,540	(2,509,977)	(2,390,142)	5,516,702	6,832,398
Own aircraft (2)	7,347,574	8,544,185	(2,250,145)	(2,138,612)	5,097,429	6,405,573
Other (3)	679,105	678,355	(259,832)	(251,530)	419,273	426,825
Machinery	33,122	39,084	(26,368)	(29,296)	6,754	9,788
Information technology equipment	159,957	166,713	(135,312)	(136,557)	24,645	30,156
Fixed installations and accessories	177,855	186,989	(107,873)	(106,212)	69,982	80,777
Motor vehicles	68,271	70,290	(58,637)	(58,812)	9,634	11,478
Leasehold improvements	200,523	186,679	(121,633)	(102,454)	78,890	84,225
Other property, plants and equipment	5,069,086	3,640,838	(1,702,041)	(1,355,475)	3,367,045	2,285,363
Financial leasing aircraft (2)	4,986,079	3,551,041	(1,674,989)	(1,328,421)	3,311,090	2,222,620
Other	83,007	89,797	(27,052)	(27,054)	55,955	62,743
Total	14,628,973	14,310,287	(4,726,924)	(4,244,952)	9,902,049	10,065,335

(1) As of September 30, 2018, includes advances paid to aircraft manufacturers for ThUS\$ 661,143 (ThUS\$ 543,720 as of December 31, 2017)

(2) In the period ended September 30, 2018, the Company sold its participation in eighteen special-purpose entities. As a result of this, 45 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 ThUS\$	Land ThUS\$	Buildings net ThUS\$	Plant and equipment net ThUS\$	Information technology equipment net ThUS\$	Fixed installations & accessories net ThUS\$	Motor vehicles net ThUS\$	Leasehold improvements net ThUS\$	Other property, plant and equipment net ThUS\$	Property, Plant and equipment net 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	8,104	—	—	163,909	2,386	313	11	5,498	26,492	206,713
Disposals	—	—	—	(7,505)	(6)	(3)	(43)	—	(26)	(7,583)
Retirements	(36)	—	(6)	(21,512)	(449)	(488)	—	—	(1,407)	(23,898)
Depreciation expenses	—	—	(6,258)	(371,004)	(11,360)	(10,827)	(142)	(20,331)	(148,894)	(568,816)
Foreign exchange	404	879	1,034	7,675	379	1,503	—	535	10,867	23,276
Other increases (decreases)	33,530	—	2,556	(708,550)	(17)	11,000	(448)	(454)	714,502	52,119
Changes , total	42,002	879	(2,674)	(936,987)	(9,067)	1,498	(622)	(14,752)	601,534	(318,189)
Closing balance as of September 30, 2017 (Unaudited)	512,067	51,027	127,545	6,852,888	30,647	85,410	423	89,789	2,430,164	10,179,960
Opening balance as of October 1, 2017	512,067	51,027	127,545	6,852,888	30,647	85,410	423	89,789	2,430,164	10,179,960
Additions	3,041	—	—	94,706	3,322	16	66	2,658	14,991	118,800
Disposals	—	—	—	(8,499)	—	(7)	—	—	(1)	(8,507)
Retirements	(91)	—	—	(2,829)	(24)	(9)	—	—	(203)	(3,156)
Depreciation expenses	—	—	(1,688)	(125,853)	(3,227)	(3,297)	(45)	(6,935)	(55,343)	(196,388)
Foreign exchange	(297)	(1,247)	(1,309)	(12,278)	(562)	(2,323)	(8)	(778)	(15,980)	(34,782)
Other increases (decreases)	42,102	—	—	55,093	—	987	—	(509)	(88,265)	9,408
Changes, total	44,755	(1,247)	(2,997)	340	(491)	(4,633)	13	(5,564)	(144,801)	(114,625)
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	4,417	—	—	364,602	4,654	64	24	10,205	22,228	406,194
Disposals	—	(8)	(1,413)	(1,856)	(30)	(63)	(14)	—	—	(3,384)
Retirements	(80)	—	(19)	(19,553)	(90)	(24)	—	(4)	(76)	(19,846)
Depreciation expenses	—	—	(4,708)	(296,135)	(9,224)	(9,455)	(114)	(21,537)	(231,463)	(572,636)
Foreign exchange	(1,178)	(5,120)	(5,011)	(50,690)	(1,949)	(8,893)	(29)	(2,752)	(62,181)	(137,803)
Other increases (decreases)	110,190	—	(88)	(1,320,178)	864	6,558	251	8,753	1,352,899	159,249
Adjustment application IAS 29 hyperinflation Argentina	265	—	—	3,053	264	1,018	65	—	275	4,940
Changes, total	113,614	(5,128)	(11,239)	(1,320,757)	(5,511)	(10,795)	183	(5,335)	1,081,682	(163,286)
Closing balance as of September 30, 2018 (Unaudited)	670,436	44,652	113,309	5,532,471	24,645	69,982	619	78,890	3,367,045	9,902,049

(b) Composition of the fleet:

Aircraft	Model	Aircraft included in Property, plant and equipment		Operating leases		Total fleet	
		As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Boeing 767	300ER	34	34	2	2	36	36
Boeing 767	300F	8	8(1)	1	2	9	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	95(2)	93(2)	36	38	131(2)	131(2)
Airbus A320	NEO	1	1	3	3	4	4
Airbus A321	200	30	30	19	17	49	47
Airbus A330	900	—	—	2	—	2	—
Airbus A350	900	5(3)	5(3)	3(3)	2(3)	8(3)	7(3)
Total		224	222	97	93	321	315

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

	Method	Useful life (years)	
		minimum	maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	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 September 30, 2018, the charge to income for the depreciation of the period, which is included in the consolidated statement of income, amounts to ThUS \$ 572,636 (ThUS \$ 568,816 as of September 30, 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 (*)	Assets committed	Fleet	As of September 30, 2018		As of December 31, 2017	
			Existing Debt	Book Value	Existing Debt	Book Value
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
			Unaudited			
Wilmington	Aircraft and engines	Airbus A319	90,944	214,645	—	—
		Airbus A320	105,968	220,356	—	—
		Airbus A321 / A350	600,080	691,503	637,934	721,602
Trust Company		Boeing 767	88,059	210,029	593,655	888,948
		Boeing 787	690,325	742,249	720,267	842,127
Banco Santander S.A.	Aircraft and engines	Airbus A320	179,206	278,785	199,165	291,649
		Airbus A321	26,578	38,783	29,296	40,584
BNP Paribas	Aircraft and engines	Airbus A319	28,048	45,980	84,767	136,407
		Airbus A320	9,237	19,390	110,267	175,650
Credit Agricole	Aircraft and engines	Airbus A319	11,809	20,884	20,874	38,826
		Airbus A320	152,745	140,402	46,895	98,098
		Airbus A321	—	—	30,322	85,463
		Airbus A350	22,439	25,064	—	—
		Boeing 767	19,082	40,756	—	—
		Boeing 787	74,023	43,828	—	—
Wells Fargo	Aircraft and engines	Airbus A320	203,659	291,509	224,786	306,660
Bank of Utah	Aircraft and engines	Airbus A320 / A350	574,467	641,095	614,632	666,665
Natixis	Aircraft and engines	Airbus A320	—	—	34,592	72,388
		Airbus A321	334,644	416,264	378,418	481,397
Citibank N. A.	Aircraft and engines	Airbus A320	82,302	137,648	94,882	141,817
		Airbus A321	30,732	73,232	36,026	72,741
KfW IP EX-Bank	Aircraft and engines	Airbus A319	—	—	5,592	5,505
		Airbus A320	—	—	21,296	30,513
Airbus Financial Service	Aircraft and engines	Airbus A319	—	—	22,927	26,973
P K Air Finance US, Inc.	Aircraft and engines	Airbus A320	39,895	53,319	46,500	56,539
Banco BBVA	Land and buildings (1)		53,027	65,087	55,801	66,876
Total direct guarantee			3,417,269	4,410,808	4,008,894	5,247,428

(*) For syndicated loans, is the Guarantee Agent that, represent different creditors.

(1) 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 September 30, 2018, amounts to ThUS\$ 1,730,181 (ThUS\$ 1,087,052 as of December 31, 2017). The book value of the assets with indirect guarantees as of September 30, 2018, amounts to ThUS\$ 3,311,090 (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 September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$
Gross book value of fully depreciated property, plant and equipment still in use	187,556	136,811
Commitments for the acquisition of aircraft (*)	14,719,500	15,400,000

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

Purchase commitment of aircraft

Manufacturer	Year of delivery					Total
	2018	2019	2020	2021	2022 - 2026	
Airbus S.A.S.	3	11	9	13	32	68
A320-NEO	2	7	5	6	12	32
A321-NEO	—	—	4	5	10	19
A350-1000	—	—	—	—	8	8
A350-900	1	4	—	2	2	9
The Boeing Company	—	2	2	2	4	10
777-F	—	—	—	—	2	2
787-9	—	2	2	2	2	8
Total	3	13	11	15	36	78

As of September 30, 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\$ 11,788,300.

As of September 30, 2018, as a result of the different aircraft purchase contracts and agreements 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\$ 2,931,200.

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

		For the periods ended September 30,	
		2018	2017
		Unaudited	
Average rate of capitalization of capitalized interest costs	%	4.64	4.12
Costs of capitalized interest	ThUS\$	13,007	8,210

(iv) Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft and engines	Model	As of	As of
			September 30, 2018	December 31, 2017
			Unaudited	
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	2	—
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	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	—
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 LLC	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	1	3
Rolls Royce Leasing Limited	Motor	TRENTXW	B 1	—
SG Infrastructure Italia S.R.L.	Boeing 777	300ER	1	1
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	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 September 30, 2018, the Company registers under this modality ninety one one aircraft and one spare engine (sixty aircraft as of December 31, 2017).

The minimum payments under financial leases are as follows:

	As of September 30, 2018			As of December 31, 2017		
	Gross Value ThUS\$	Interest ThUS\$	Present Value ThUS\$	Gross Value ThUS\$	Interest ThUS\$	Present Value ThUS\$
	Unaudited					
No later than one year	447,594	(43,664)	403,930	303,863	(32,447)	271,416
Between one and five years	1,235,635	(50,382)	1,185,253	835,696	(30,050)	805,646
Over five years	143,082	(2,084)	140,998	36,788	(816)	35,972
Total	<u>1,826,311</u>	<u>(96,130)</u>	<u>1,730,181</u>	<u>1,176,347</u>	<u>(63,313)</u>	<u>1,113,034</u>

NOTE 18 - CURRENT AND DEFERRED TAXES

In the period ended September 30, 2018, the income tax provision was calculated for such period, applying the rate of 27% for the business year 2018, in accordance with the Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

Among the main changes is the progressive increase of the First Category Tax which will reach 27% in 2018 if the "Partially Integrated Taxation System" is chosen. Alternatively, if the Company chooses the "Attributed Income Taxation System" the top rate would reach 25% in 2017.

On February 8, 2016, an amendment to the abovementioned Law was issued (as Law 20,899) stating, as its main amendments, that Companies such Latam Airlines Group S.A. had to mandatorily choose the "Partially Integrated Taxation System" and could not elect to use the other system.

The Partially Integrated Taxation System is based on the taxation by the perception of profits and the Attributed Income Taxation System is based on the taxation by the accrual of profits.

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	As of	As of	As of	As of	As of
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	ThUS \$	ThUS \$	ThUS \$	ThUS \$	ThUS \$	ThUS \$
	Unaudited		Unaudited		Unaudited	
Provisional monthly payments (advances)	51,705	65,257	—	—	51,705	65,257
Other recoverable credits	30,100	12,730	15,732	17,532	45,832	30,262
Total assets by current tax	<u>81,805</u>	<u>77,987</u>	<u>15,732</u>	<u>17,532</u>	<u>97,537</u>	<u>95,519</u>

(a.2) The composition of the current tax liabilities are as follows:

	Current liabilities		Non-current liabilities		Total liabilities	
	As of	As of	As of	As of	As of	As of
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	ThUS \$	ThUS \$	ThUS \$	ThUS \$	ThUS \$	ThUS \$
	Unaudited		Unaudited		Unaudited	
Income tax provision	8,218	3,511	—	—	8,218	3,511
Total liabilities by current tax	<u>8,218</u>	<u>3,511</u>	<u>—</u>	<u>—</u>	<u>8,218</u>	<u>3,511</u>

(b) Deferred taxes

The balances of deferred tax are the following:

Concept	Assets		Liabilities	
	As of	As of	As of	As of
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	ThUSS	ThUSS	ThUSS	ThUSS
	Unaudited		Unaudited	
Depreciation	214,064	210,855	1,232,648	1,401,277
Leased assets	(67,845)	(103,201)	483,978	275,142
Amortization	(1,027)	(484)	55,150	54,335
Provisions	(42,390)	(9,771)	56,542	690
Revaluation of financial instruments	(842)	(734)	(13,262)	(4,484)
Tax losses	180,225	290,973	(1,321,453)	(1,188,586)
Intangibles	—	—	324,918	406,536
Others	(4,189)	(23,617)	5,052	4,787
Total	<u>277,996</u>	<u>364,021</u>	<u>823,573</u>	<u>949,697</u>

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 September 30, 2017 (Unaudited)

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate	Ending balance
	Assets/(liabilities)	income	income	variation	Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(1,376,025)	239,051	—	(634)	(1,137,608)
Leased assets	(239,758)	(57,324)	—	(580)	(297,662)
Amortization	(77,480)	16,426	—	(342)	(61,396)
Provisions	281,369	(236,877)	(677)	9,419	53,234
Revaluation of financial instruments	3,223	69	(6,219)	236	(2,691)
Tax losses (*)	1,328,736	23,158	—	2,478	1,354,372
Intangibles	(430,705)	18,893	—	(12,339)	(424,151)
Others	(20,539)	(8,826)	—	631	(28,734)
Total	(531,179)	(5,430)	(6,896)	(1,131)	(544,636)

(b) From October 1 to December 31, 2017

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate	Ending balance
	Assets/(liabilities)	income	income	variation	Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(1,137,608)	(53,769)	—	956	(1,190,421)
Leased assets	(297,662)	(81,555)	—	874	(378,343)
Amortization	(61,396)	6,060	—	516	(54,820)
Provisions	53,234	(49,390)	(108)	(14,197)	(10,461)
Revaluation of financial instruments	(2,691)	2,348	4,449	(356)	3,750
Tax losses (*)	1,354,372	128,923	—	(3,735)	1,479,560
Intangibles	(424,151)	5,543	—	12,072	(406,536)
Others	(28,734)	1,279	—	(950)	(28,405)
Total	(544,636)	(40,561)	4,341	(4,820)	(585,676)

(c) From January 1 to September 30, 2018 (Unaudited)

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate	Ending balance
	Assets/(liabilities)	income	income	variation	Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(1,190,421)	168,655	—	3,183	(1,018,583)
Leased assets	(378,343)	(176,388)	—	2,908	(551,823)
Amortization	(54,820)	(3,073)	—	1,716	(56,177)
Provisions	(10,461)	(42,174)	961	(47,258)	(98,932)
Revaluation of financial instruments	3,750	9,704	151	(1,185)	12,420
Tax losses (*)	1,479,560	34,552	—	(12,434)	1,501,678
Intangibles	(406,536)	(51,970)	—	133,588	(324,918)
Others	(28,405)	22,318	—	(3,155)	(9,242)
Total	(585,676)	(38,376)	1,112	77,363	(545,577)

Deferred tax assets not recognized:

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Tax losses	152,802	81,155
Total Deferred tax assets not recognized	<u>152,802</u>	<u>81,155</u>

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 September 30, 2018, the Company no longer recognizes deferred tax assets for ThUS \$ 152,802 (ThUS \$ 81,155 as of December 31, 2017) with respect to losses of ThUS \$ 496,232 (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 \$ 46,242 that were no longer considered recoverable.

Deferred tax expense and current income taxes:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018 ThUS\$	2017 ThUS\$	2018 ThUS\$	2017 ThUS\$
	Unaudited			
Current tax expense				
Current tax expense	57,207	100,842	19,779	29,941
Adjustment to previous period's current tax	—	1,331	—	1,361
Total current tax expense, net	<u>57,207</u>	<u>102,173</u>	<u>19,779</u>	<u>31,302</u>
Deferred tax expense				
Deferred expense for taxes related to the creation and reversal of temporary differences	(38,376)	5,430	(40,219)	(5,206)
Total deferred tax expense, net	<u>(38,376)</u>	<u>5,430</u>	<u>(40,219)</u>	<u>(5,206)</u>
	<u>18,831</u>	<u>107,603</u>	<u>(20,440)</u>	<u>26,096</u>

Composition of income tax expense (income):

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018 ThUS\$	2017 ThUS\$	2018 ThUS\$	2017 ThUS\$
	Unaudited			
Current tax expense, net, foreign	55,237	77,246	19,308	43,990
Current tax expense, net, Chile	1,970	24,927	471	(12,688)
Total current tax expense, net	<u>57,207</u>	<u>102,173</u>	<u>19,779</u>	<u>31,302</u>
Deferred tax expense, net, foreign	38,830	(13,943)	15,582	(12,091)
Deferred tax expense, net, Chile	(77,206)	19,373	(55,801)	6,885
Deferred tax expense, net, total	<u>(38,376)</u>	<u>5,430</u>	<u>(40,219)</u>	<u>(5,206)</u>
Income tax expense	<u>18,831</u>	<u>107,603</u>	<u>(20,440)</u>	<u>26,096</u>

Profit before tax by the legal tax rate in Chile (27% and 25.5% at September 30, 2018 and 2017, respectively)

	For the period ended September 30,		For the period ended September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	%	%
	Unaudited		Unaudited	
Tax expense using the legal rate (*)	18,926	60,351	27.00	25.50
Tax effect by change in tax rate	—	443	—	0.19
Tax effect of rates in other jurisdictions	45	38,530	0.06	16.28
Tax effect of non-taxable operating revenues	(1,738)	(30,519)	(2.48)	(12.90)
Tax effect of disallowable expenses	63,155	39,996	90.10	16.90
Tax effect of the use of tax losses not previously recognized	46,242	(20,100)	65.97	(8.49)
Other increases (decreases) in legal tax charge	(107,799)	18,902	(153.79)	7.99
Total adjustments to tax expense using the legal rate	(95)	47,252	(0.14)	19.97
Tax expense using the effective rate	18,831	107,603	26.86	45.47

(*) On September 29, 2014, Law No. 20,780 "Amendment to the system of income taxation and introduces various adjustments in the tax system." was published in the Official Journal of the Republic of Chile. Within major tax reforms that this law contains, the First- Category Tax rate is gradually modified from 2014 to 2018 and should be declared and paid in tax year 2015.

Thus, at September 30, 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 \$ 107.8 million) mainly includes the effect of the decrease in deferred tax liabilities (US \$ 142.0 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 \$ 34.2 million).

Deferred taxes related to items charged to net equity:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited	
Aggregate deferred taxation of components of other comprehensive income	1,112	(6,896)	415	(8,027)

NOTE 19 - OTHER FINANCIAL LIABILITIES

The composition of other financial liabilities is as follows:

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Current		
(a) Interest bearing loans	1,477,048	1,288,749
(b) Hedge derivatives	4,119	12,200
Total current	<u>1,481,167</u>	<u>1,300,949</u>
Non-current		
(a) Interest bearing loans	6,121,892	6,602,891
(b) Hedge derivatives	571	2,617
Total non-current	<u>6,122,463</u>	<u>6,605,508</u>

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Current		
Loans to exporters	459,878	314,618
Bank loans (1)	39,252	59,017
Guaranteed obligations	331,645	531,173
Other guaranteed obligations	94,733	2,170
Subtotal bank loans	<u>925,508</u>	<u>906,978</u>
Obligation with the public (2)	41,616	14,785
Financial leases	415,757	276,541
Other loans	94,167	90,445
Total current	<u>1,477,048</u>	<u>1,288,749</u>
Non-current		
Bank loans	259,439	260,433
Guaranteed obligations (3) (7)	2,304,824	3,505,669
Other guaranteed obligations	591,290	240,007
Subtotal bank loans	<u>3,155,553</u>	<u>4,006,109</u>
Obligation with the public (4) (5) (6)	1,551,924	1,569,281
Financial leases (7)	1,288,986	832,964
Other loans	125,429	194,537
Total non-current	<u>6,121,892</u>	<u>6,602,891</u>
Total obligations with financial institutions	<u>7,598,940</u>	<u>7,891,640</u>

(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 September 30, 2018, the Company sold its participation in nineteen special-purpose entities. As a result of this, the classification of the financial liabilities associated with 45 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 September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Brazilian real	—	130
Chilean peso (U.F.)	533,527	521,122
US Dollar	7,065,413	7,370,388
Total	<u>7,598,940</u>	<u>7,891,640</u>

Interest-bearing loans due in installments to September 30, 2018 (Unaudited)
 Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %	
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value				
Loans to exporters																			
97.032.000-8	BBVA	Chile	US\$	75,000	38,000	—	—	—	113,000	75,607	38,114	—	—	—	113,721	At Expiration	3.36	3.36	
97.032.000-8	BBVA	Chile	UF	53,027	—	—	—	—	53,027	53,364	—	—	—	—	53,364	At Expiration	2.66	1.86	
97.036.000-K	SANTANDER	Chile	US\$	90,000	—	—	—	—	90,000	90,264	—	—	—	—	90,264	At Expiration	3.22	3.22	
97.030.000-7	ESTADO	Chile	US\$	40,000	—	—	—	—	40,000	40,223	—	—	—	—	40,223	At Expiration	3.09	3.09	
97.003.000-K	BANCO DO BRASIL	Chile	US\$	150,000	—	—	—	—	150,000	150,298	—	—	—	—	150,298	At Expiration	3.22	3.22	
97.951.000-4	HS BC	Chile	US\$	12,000	—	—	—	—	12,000	12,008	—	—	—	—	12,008	At Expiration	2.43	2.43	
Bank loans																			
97.023.000-9	CORBANCA	Chile	UF	5,703	17,108	22,810	—	—	45,621	5,725	17,107	22,628	—	—	45,460	Quarterly	3.35	3.35	
0-E	BLADEX	U.S.A	US\$	7,500	7,500	7,500	—	—	22,500	8,008	7,500	7,313	—	—	22,821	Semiannual	6.33	6.33	
97.036.000-K	SANTANDER	Chile	US\$	—	—	160,234	—	—	160,234	230	—	160,234	—	—	160,464	Quarterly	5.17	5.17	
76.362.099-9	BTG PACTUAL CHILE	Chile	UF	—	—	68,769	—	—	68,769	117	—	67,832	—	—	67,949	At Expiration	3.10	3.10	
Obligations with the public																			
0-E	BANK OF NEW YORK	U.S.A	US\$	—	—	500,000	—	—	700,000	1,200,000	35,009	—	494,196	—	697,581	1,226,786	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	—	—	—	180,208	180,208	360,416	—	6,607	—	180,003	180,144	366,754	At Expiration	5.50	5.50	
Guaranteed obligations																			
CREDIT																			
0-E	AGRICOLE	France	US\$	2,175	5,020	13,354	5,472	—	26,021	2,326	5,020	12,903	5,377	—	25,626	Quarterly	4.24	3.79	
0-E	BNP PARIBAS	U.S.A	US\$	16,608	39,976	116,820	119,147	244,204	536,755	21,405	40,384	113,458	117,272	242,092	534,611	Quarterly	4.28	4.27	
0-E	WILMINGTON TRUST	U.S.A	US\$	20,622	64,516	178,213	215,792	494,237	973,380	26,324	64,516	172,853	213,366	491,642	968,701	Quarterly	4.47	4.47	
0-E	CITIBANK	U.S.A	US\$	10,694	32,558	90,335	76,896	69,575	280,058	11,872	32,558	85,327	74,650	67,951	272,358	Quarterly	3.72	2.84	
0-E	US BANK	U.S.A	US\$	15,418	46,783	128,728	134,721	101,453	427,103	17,416	46,783	113,518	128,439	98,948	405,104	Quarterly	4.00	2.82	
0-E	NATIXIS	France	US\$	10,120	31,035	87,745	79,484	126,260	334,644	11,075	31,035	85,886	78,542	124,883	331,421	Quarterly	4.28	4.28	
0-E	PK AIRFINANCE	U.S.A	US\$	2,280	7,083	23,631	6,901	—	39,895	2,342	7,083	23,631	6,901	—	39,957	Monthly	3.87	3.87	
0-E	INVESTEC	England	US\$	3,323	6,391	21,222	23,841	2,560	57,337	4,282	6,503	20,667	23,696	2,555	57,703	Semiannual	6.91	6.91	
—	SWAP Received aircraft	—	US\$	223	498	267	—	—	988	223	498	267	—	—	988	Quarterly	—	—	
Other guaranteed obligations																			
0-E	CREDIT AGRICOLE	France	US\$	—	—	253,692	—	—	253,692	2,772	—	252,072	—	—	254,844	At Expiration	4.03	4.03	
0-E	DVB BANK SE	Germany	US\$	22,805	68,787	186,274	132,576	24,527	434,969	23,174	68,787	183,411	131,570	24,237	431,179	Quarterly	3.99	3.99	
Financial leases																			
0-E	ING	U.S.A	US\$	3,638	11,200	15,631	—	—	30,469	3,899	11,200	15,444	—	—	30,543	Quarterly	5.70	5.01	
0-E	CREDIT AGRICOLE	France	US\$	5,848	17,901	24,736	—	—	48,485	6,047	17,901	24,736	—	—	48,684	Quarterly	3.14	2.70	
0-E	CITIBANK	U.S.A	US\$	13,078	39,997	83,035	47,353	1,772	185,235	13,894	39,997	81,098	47,090	1,769	183,848	Quarterly	4.16	3.57	
0-E	PEFCO	U.S.A	US\$	9,202	14,797	7,610	—	—	31,609	9,423	14,796	7,491	—	—	31,710	Quarterly	5.58	4.96	
0-E	BNP PARIBAS	U.S.A	US\$	7,043	21,614	29,504	—	—	58,161	7,412	21,614	29,184	—	—	58,210	Quarterly	3.80	3.44	
0-E	WELLS FARGO	U.S.A	US\$	33,072	100,310	267,462	234,896	127,045	762,785	36,348	100,310	249,046	228,362	125,103	739,169	Quarterly	2.79	2.12	
97.036.000-K	SANTANDER	Chile	US\$	5,542	16,812	46,139	32,072	—	100,565	5,960	16,812	45,007	31,925	—	99,704	Quarterly	3.42	2.88	
0-E	RRPF ENGINE	England	US\$	546	2,505	7,069	7,673	6,040	23,833	546	2,505	7,069	7,673	6,040	23,833	Monthly	4.01	4.01	
0-E	AP PLE BANK	U.S.A	US\$	1,430	4,364	12,065	12,723	2,392	32,974	1,647	4,364	11,619	12,609	2,387	32,626	Quarterly	3.74	3.14	
0-E	BTMU	U.S.A	US\$	2,907	8,861	24,474	25,770	4,084	66,096	3,174	8,861	23,582	25,547	4,076	65,240	Quarterly	3.74	3.14	
0-E	NATIXIS	France	US\$	10,769	12,185	9,875	1,102	—	33,931	10,910	12,185	9,875	1,102	—	34,072	Quarterly	3.86	3.71	
0-E	KFW IPEX-BANK	Germany	US\$	1,684	5,142	7,073	—	—	13,899	1,708	5,142	7,073	—	—	13,923	Quarterly	3.96	3.96	
0-E	AIRBUS FINANCIAL	U.S.A	US\$	1,900	5,791	9,625	—	—	17,316	1,937	5,791	9,625	—	—	17,353	Monthly	4.00	4.00	
Other loans																			
0-E	CITIBANK (*)	U.S.A	US\$	23,924	69,854	126,356	—	—	220,134	24,313	69,854	125,429	—	—	219,596	Quarterly	6.00	6.00	
Total				658,081	696,588	2,530,248	1,336,627	2,084,357	7,305,901	721,282	703,827	2,462,474	1,314,124	2,069,408	7,271,115				

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

Interest-bearing loans due in installments to September 30, 2018 (Unaudited)
 Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No. Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %	
			Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value				
			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$				ThUS\$
Bank loans																		
0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US \$	136	419	589	843	—	1,987	146	419	589	843	—	1,997	Monthly	6.01	6.01
Financial leases																		
0-E	NATIXIS	France	US \$	1,604	7,831	10,045	77,913	—	97,393	1,920	7,831	10,045	77,913	—	97,709	Quarterly/Semiannual	6.42	6.42
0-E	WACAP OULEASING S.A.	Luxembourg	US \$	719	2,198	3,042	3,987	—	9,946	749	2,198	3,042	3,987	—	9,976	Quarterly	4.40	4.40
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US \$	9,261	28,557	73,846	105,821	—	217,485	10,119	28,557	73,646	105,821	—	218,143	Quarterly	5.58	5.51
Total				11,720	39,005	87,522	188,564	—	326,811	12,934	39,005	87,322	188,564	—	327,825			
Total consolidado				669,801	735,593	2,617,770	1,525,191	2,084,357	7,632,712	734,216	742,832	2,549,796	1,502,688	2,069,408	7,598,940			

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.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
Loans to exporters																		
97.032.000-8	BBVA	Chile	US\$	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	US\$	30,000	—	—	—	—	30,000	30,129	—	—	—	—	30,129	At Expiration	2.49	2.49
97.030.000-7	ESTADO	Chile	US\$	40,000	—	—	—	—	40,000	40,071	—	—	—	—	40,071	At Expiration	2.57	2.57
97.003.000-K	BANCO DO BRASIL	Chile	US\$	100,000	—	—	—	—	100,000	100,696	—	—	—	—	100,696	At Expiration	2.40	2.40
97.951.000-4	HS BC	Chile	US\$	12,000	—	—	—	—	12,000	12,007	—	—	—	—	12,007	At Expiration	2.03	2.03
Bank loans																		
97.023.000-9	CORBANCA	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.	US\$	—	15,000	15,000	—	—	30,000	—	15,133	14,750	—	—	29,883	Semiannual	5.51	5.51
97.036.000-K	SANTANDER	Chile	US\$	—	—	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.	US\$	—	—	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	US\$	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.	US\$	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.	US\$	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.	US\$	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.	US\$	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.	US\$	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.	US\$	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.	US\$	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.	US\$	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	US\$	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.	US\$	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	US\$	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.	US\$	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	US\$	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 Received aircraft	—	US\$	301	749	765	—	—	1,815	301	749	765	—	—	1,815	Quarterly	—	—
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US\$	—	—	241,287	—	—	241,287	2,170	—	240,007	—	—	242,177	At Expiration	3.38	3.38
Financial leases																		
0-E	ING	U.S.A.	US\$	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.	US\$	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.	US\$	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.	US\$	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.	US\$	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	US\$	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	US\$	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.	US\$	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.

Tax No. Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
			Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans																	
0-E NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ																	
	Holland	US\$	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	US\$	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	US\$	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	US\$	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		Derivatives Total hedge	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$
Accrued interest from the last date of interest rate swap	2,293	1,189	—	—	2,293	1,189
Fair value of interest rate derivatives	1,826	8,919	571	2,617	2,397	11,536
Fair value of foreign currency derivatives	—	2,092	—	—	—	2,092
Total hedge derivatives	<u>4,119</u>	<u>12,200</u>	<u>571</u>	<u>2,617</u>	<u>4,690</u>	<u>14,817</u>

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 September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$
Cross currency swaps (CCS) (1)	44,348	38,875
Interest rate swaps (2)	(2,779)	(6,542)
Fuel options (3)	25,724	10,711
Currency options R\$/US\$ (4)	5,648	4,370
Currency options CLP/US\$ (4)	581	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 9 months ended		For the 3 months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Debit (credit) recognized in comprehensive income during the period	39,515	18,126	7,006	25,455
Debit (credit) transferred from net equity to income during the period	26,302	(24,206)	7,470	2,525

NOTE 20 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of	As of
	September 30,	December 31,
	2018	2017
	ThUS\$	ThUS\$
	Unaudited	
Current		
(a) Trade and other accounts payables	1,306,191	1,349,201
(b) Accrued liabilities at the reporting date	346,282	346,001
Total trade and other accounts payables	1,652,473	1,695,202

(a) Trade and other accounts payable:

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$ Unaudited
Trade creditors	1,089,204	1,096,540
Leasing obligation	4,064	4,448
Other accounts payable	212,923	248,213
Total	<u>1,306,191</u>	<u>1,349,201</u>

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

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$ Unaudited
Aircraft Fuel	244,709	219,601
Boarding Fee	240,557	249,898
Suppliers technical purchases	155,575	114,690
Airport charges and overflight	106,155	106,534
Handling and ground handling	86,648	103,784
Other personnel expenses	83,621	89,621
Professional services and advisory	80,148	81,679
Marketing	50,133	75,220
Services on board	49,094	68,605
Leases, maintenance and IT services	46,367	69,873
Air companies	41,188	31,381
Land services	27,411	31,151
Crew	23,917	24,163
Communications	19,444	5,732
Aviation insurance	14,221	5,108
Maintenance	4,228	26,244
Achievement of goals	4,064	4,285
Aircraft and engines leasing	2,328	5,273
Others	26,383	36,359
Total trade and other accounts payables	<u>1,306,191</u>	<u>1,349,201</u>

(b) Liabilities accrued:

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$ Unaudited
Accrued personnel expenses	148,918	125,246
Aircraft and engine maintenance	124,755	92,711
Accounts payable to personnel (*)	43,938	99,862
Others accrued liabilities	28,671	28,182
Total accrued liabilities	<u>346,282</u>	<u>346,001</u>

(*) Profits and bonds participation (Note 23 letter b)

NOTE 21 - OTHER PROVISIONS

Other provisions:

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$
Provision for contingencies (1)						
Tax contingencies	2,295	1,913	218,539	258,305	220,834	260,218
Civil contingencies	1,048	497	59,871	62,858	60,919	63,355
Labor contingencies	534	373	22,718	28,360	23,252	28,733
Other	—	—	13,488	15,187	13,488	15,187
Provision for European Commission investigation (2)	—	—	9,549	9,883	9,549	9,883
Total other provisions (3)	3,877	2,783	324,165	374,593	328,042	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 September 30, 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	68,440	—	68,440
Provision used	(10,516)	—	(10,516)
Difference by subsidiaries conversion	11,341	—	11,341
Reversal of provision	(42,913)	—	(42,913)
Exchange difference	142	1,039	1,181
Closing balance as of September 30, 2017 (Unaudited)	<u>442,967</u>	<u>9,703</u>	<u>452,670</u>
Opening balance as of October 1, 2017	442,967	9,703	452,670
Increase in provisions	38,503	—	38,503
Provision used	(4,344)	—	(4,344)
Difference by subsidiaries conversion	(17,171)	—	(17,171)
Reversal of provision	(92,196)	—	(92,196)
Exchange difference	(266)	180	(86)
Closing balance as of December 31, 2017	<u>367,493</u>	<u>9,883</u>	<u>377,376</u>
Opening balance as of January 1, 2018	367,493	9,883	377,376
Increase in provisions	80,650	—	80,650
Provision used	(42,872)	—	(42,872)
Difference by subsidiaries conversion	(60,042)	—	(60,042)
Reversal of provision	(25,733)	—	(25,733)
Exchange difference	(1,003)	(334)	(1,337)
Closing balance as of september 30, 2018 (Unaudited)	<u>318,493</u>	<u>9,549</u>	<u>328,042</u>

(1) Cumulative balances include judicial deposit delivered as security, with respect to the "Aerovia 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 September 30, 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 S.A. . 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 September 30, 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 September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited		Unaudited	
Deferred revenues (*)	2,423,471	2,690,961	103,333	158,305	2,526,804	2,849,266
Sales tax	18,408	22,902	—	—	18,408	22,902
Retentions	23,158	38,197	—	—	23,158	38,197
Others taxes	3,117	8,695	—	—	3,117	8,695
Dividends payable	9,982	46,591	—	—	9,982	46,591
Other sundry liabilities	17,375	16,617	—	—	17,375	16,617
Total other non-financial liabilities	2,495,511	2,823,963	103,333	158,305	2,598,844	2,982,268

(*) Note 2.20.

The balance comprises, mainly, deferred income by services not yet rendered at September 30, 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.

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	5,862,490
Use deferred income	(6,312,982)
Expiration of tickets	(213,041)
Deferred revenue loyalty (accreditation and exchange)	349,835
Others provisions	(9,691)
Adjustment application IAS 29, Argentina hyperinflation	927
Closing balance as of September 30, 2018 (Unaudited)	<u>2,526,804</u>

NOTE 23 - EMPLOYEE BENEFITS

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Retirements payments	55,615	55,119
Resignation payments	9,247	10,124
Other obligations	26,475	35,844
Total liability for employee benefits	<u>91,337</u>	<u>101,087</u>

(a) 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 September 30, 2017 (Unaudited)	82,322	14,296	(4,331)	1,507	—	93,794
From October 1 to December 31, 2017	93,794	7,339	(1,068)	(4,270)	5,292	101,087
From January 1 to September 30, 2018 (Unaudited)	101,087	(12,756)	(4,796)	3,611	4,191	91,337

The principal assumptions used in the calculation to the provision in Chile are presented below:

Assumptions	As of September 30,	
	2018	2017
	Unaudited	
Discount rate	4.50%	4.33%
Expected rate of salary increase	4.50%	4.50%
Rate of turnover	6.60%	6.98%
Mortality rate	RV-2014	RV-2014
Inflation rate	2.88%	2.37%
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 September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$
Discount rate		
Change in the accrued liability an closing for increase in 100 p.b.	(6,647)	(5,795)
Change in the accrued liability an closing for decrease of 100 p.b.	4,946	6,617
Rate of wage growth		
Change in the accrued liability an closing for increase in 100 p.b.	4,757	6,412
Change in the accrued liability an closing for decrease of 100 p.b.	(6,658)	(5,751)

(b) The liability for short-term:

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$ Unaudited
Profit-sharing and bonuses (*)	43,938	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 9 months ended September 30,		For the 3 months ended September 30,	
	2018 ThUS\$	2017 ThUS\$	2018 ThUS\$	2017 ThUS\$
	Unaudited			
Salaries and wages	1,113,235	1,208,408	325,251	398,958
Short-term employee benefits	84,999	95,752	47,169	64,047
Termination benefits	42,671	64,029	16,403	20,535
Other personnel expenses	112,727	135,662	14,522	42,451
Total	1,353,632	1,503,851	403,345	525,991

NOTE 24 - ACCOUNTS PAYABLE, NON-CURRENT

	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$ Unaudited
Aircraft and engine maintenance	481,687	483,795
Provision for vacations and bonuses	15,450	14,725
Other sundry liabilities	348	312
Total accounts payable, non-current	497,485	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 September 30, 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.

(a) 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 September 30, 2018, the number of subscribed and paid shares of the Company reached 606,407,693.

Consequently, as of September 30, 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	Opening balance	Expired Shares for compensation plans	Closing balance
Nro. of shares			
From January 1 to September 30, 2017 (Unaudited)	608,374,525	—	608,374,525
From October 1 to December 31, 2017	608,374,525	—	608,374,525
From January 1 to September 30, 2018 (Unaudited)	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

	No 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
Capital reserve	—	—	—	—
Paid shares as of September 30, 2018 (Unaudited)	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 September 30, 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 September 30, 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 September 30, 2017 (Unaudited)	38,538	803	803	39,341
From October 1 to December 31, 2017	39,341	140	140	39,481
From January 1 to September 30, 2018 (Unaudited)	39,481	(1,576)	(1,576)	37,905

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	Legal reserves	Closing balance
	ThUS\$	ThUS\$	ThUS\$
From January 1 to September 30, 2017 (Unaudited)	2,640,281	(301)	2,639,980
From October 1 to December 31, 2017	2,639,980	(200)	2,639,780
From January 1 to September 30, 2018 (Unaudited)	2,639,780	(1,072)	2,638,708

Balance of Other sundry reserves comprises the following:

	As of September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	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)	(25,911)	(25,911)
Others	(3,693)	(2,621)
Total	<u>2,638,708</u>	<u>2,639,780</u>

- (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 September 30, 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 Aerolíneas Brasileiras S.A. for ThUS \$ (885) and the acquisition of 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)	—	17.946	—	17.946
Deferred tax	—	(6.158)	—	(6.158)
Actuarial reserves by employee benefit plans	—	—	2.522	2.522
Deferred tax actuarial IAS by employee benefit plans	—	—	(676)	(676)
Difference by subsidiaries conversion	106.581	—	—	106.581
Closing balance as of September 30, 2017 (Unaudited)	<u>(1.979.974)</u>	<u>13.294</u>	<u>(11.054)</u>	<u>(1.977.734)</u>
Opening balance as of October 1, 2017	(1.979.974)	13.294	(11.054)	(1.977.734)
Derivatives valuation gains (losses)	—	490	—	490
Deferred tax	—	4.356	—	4.356
Actuarial reserves by employee benefit plans	—	—	236	236
Deferred tax actuarial IAS by employee benefit plans	—	—	(108)	(108)
Difference by subsidiaries conversion	(151.616)	—	—	(151.616)
Closing balance as of December 31, 2017	<u>(2.131.590)</u>	<u>18.140</u>	<u>(10.926)</u>	<u>(2.124.376)</u>
Opening balance as of January 1, 2018	<u>(2.131.590)</u>	<u>18.140</u>	<u>(10.926)</u>	<u>(2.124.376)</u>
Derivatives valuation gains (losses)	—	40.582	—	40.582
Deferred tax	—	(211)	—	(211)
Actuarial reserves by employee benefit plans	—	—	(3.611)	(3.611)
Deferred tax actuarial IAS by employee benefit plans	—	—	961	961
Difference by subsidiaries conversion	(711.827)	—	—	(711.827)
Closing balance as of September 30, 2018 (Unaudited)	<u>(2.843.417)</u>	<u>58.511</u>	<u>(13.576)</u>	<u>(2.798.482)</u>

(f.1) Currency translation reserve

These originate from exchange differences arising from the translation of any investment in foreign entities (or Chilean investment with a functional currency different to that of the parent), and from loans and other instruments in foreign currency designated as hedges for such investments. When the investment (all or part) is sold or disposed and loss of control occurs, these reserves are shown in the consolidated statement of income as part of the loss or gain on the sale or disposal. If the sale does not involve loss of control, these reserves are transferred to non-controlling interests.

(f.2) Cash flow hedging reserve

These originate from the fair value valuation at the end of each period of the outstanding derivative contracts that have been defined as cash flow hedges. When these contracts expire, these reserves should be adjusted and the corresponding results recognized.

(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 September 30, 2017 (Unaudited)	366,404	88,140	—	—	454,544
From October 1 to December 31, 2017	454,544	67,164	(46,591)	—	475,117
From January 1 to September 30, 2018 (Unaudited)	475,117	33,277	(9,983)	(4,797)	493,614

(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	09-30-2018	12-31-2017
Amount of the dividend (ThUS\$)	9,983	46,591(*)
Number of shares among which the dividend is distributed	606,407,693	606,407,693
Dividend per share (US\$)	0.0165	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 9 months ended September 30,		For the 3 months ended September 30,	
	2018 ThUS\$	2017 ThUS\$	2018 ThUS\$	2017 ThUS\$
	Unaudited			
Passengers	6,381,738	6,219,899	2,107,168	2,225,427
Cargo	874,406	782,410	278,883	272,153
Total	<u>7,256,144</u>	<u>7,002,309</u>	<u>2,386,051</u>	<u>2,497,580</u>

NOTE 27 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Unaudited				
Aircraft fuel	2,150,673	1,667,906	747,263	562,248
Other rentals and landing fees	906,143	857,700	297,963	307,131
Aircraft rentals	406,198	443,079	133,395	139,553
Aircraft maintenance	299,462	313,590	85,190	105,583
Comissions	163,189	202,349	48,954	83,155
Passenger services	224,810	206,026	69,050	69,634
Other operating expenses	931,611	1,009,306	286,688	355,074
Total	<u>5,082,086</u>	<u>4,699,956</u>	<u>1,668,503</u>	<u>1,622,378</u>

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Unaudited				
Depreciation (*)	685,516	704,357	228,129	236,789
Amortization	48,671	43,543	17,054	15,404
Total	<u>734,187</u>	<u>747,900</u>	<u>245,183</u>	<u>252,193</u>

(*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at september 30, 2018 is ThUS\$ 261,265 and ThUS\$ 267,494 for the same period of 2017.

(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 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Bank loan interest	211,211	267,885	70,632	94,020
Financial leases	49,786	29,332	15,960	8,871
Other financial instruments	7,782	5,836	4,718	1,829
Total	<u>268,779</u>	<u>303,053</u>	<u>91,310</u>	<u>104,720</u>

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 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Coalition and loyalty program Multiplus	85,425	185,996	24,657	64,787
Tours	86,072	75,356	26,677	24,232
Aircraft leasing	46,603	75,989	13,875	35,026
Customs and warehousing	19,766	19,163	6,588	6,915
Duty free	2,277	4,061	817	367
Maintenance	15,153	5,876	10,905	2,918
Other miscellaneous income	68,431	27,467	22,411	13,209
Total	<u>323,727</u>	<u>393,908</u>	<u>105,930</u>	<u>147,454</u>

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:

	As of September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$
Current assets		
Cash and cash equivalents	192,149	260,092
Argentine peso	2,611	7,309
Brazilian real	10,532	14,242
Chilean peso	27,908	81,693
Colombian peso	3,906	1,105
Euro	14,926	11,746
U.S. dollar	88,030	108,327
Other currency	44,236	35,670
Other financial assets, current	33,117	36,484
Argentine peso	9	21
Brazilian real	1,881	17
Chilean peso	25,933	26,605
Colombian peso	152	150
U.S. dollar	4,796	9,343
Other currency	346	348
Other non - financial assets, current	93,836	107,170
Argentine peso	12,344	16,507
Brazilian real	17,503	19,686
Chilean peso	28,119	34,258
Colombian peso	498	340
Euro	4,019	2,722
U.S. dollar	14,106	21,907
Other currency	17,247	11,750

Current Assets	As of	As of
	September 30, 2018	December 31, 2017
	ThUS\$ Unaudited	ThUS\$
Trade and other accounts receivable, current	477,646	373,447
Argentine peso	37,657	49,680
Brazilian real	5,487	22,006
Chilean peso	109,856	82,369
Colombian peso	3,576	1,169
Euro	32,492	48,286
U.S. dollar	3,222	34,268
Other currency	285,356	135,669
Accounts receivable from related entities, current	268	958
Chilean peso	107	735
U.S. dollar	161	223
Tax current assets	39,628	33,575
Argentine peso	1,649	1,679
Brazilian real	2,873	3,934
Chilean peso	4,571	3,317
Colombian peso	1,377	660
Euro	134	179
U.S. dollar	381	327
Peruvian sol	27,533	21,948
Other currency	1,110	1,531
Total current assets	836,644	811,726
Argentine peso	54,270	75,196
Brazilian real	38,276	59,885
Chilean peso	196,494	228,977
Colombian peso	9,509	3,424
Euro	51,571	62,933
U.S. dollar	110,696	174,395
Other currency	375,828	206,916

Non-current assets	As of September 30, 2018 <u>ThUS\$</u> Unaudited	As of December 31, 2017 <u>ThUS\$</u>
Other financial assets, non-current	20,640	20,975
Brazilian real	3,644	3,831
Chilean peso	70	74
Colombian peso	281	281
Euro	7,547	7,853
U.S. dollar	7,432	7,273
Other currency	1,666	1,663
Other non - financial assets, non-current	26,422	9,108
Argentine peso	80	172
Brazilian real	6,311	6,368
U.S. dollar	3	38
Other currency	20,028	2,530
Accounts receivable, non-current	5,509	6,887
Chilean peso	5,509	6,887
Deferred tax assets	3,751	2,081
Colombian peso	86	86
U.S. dollar	1,668	—
Other currency	1,997	1,995
Total non-current assets	56,322	39,051
Argentine peso	80	172
Brazilian real	9,955	10,199
Chilean peso	5,579	6,961
Colombian peso	367	367
Euro	7,547	7,853
U.S. dollar	9,103	7,311
Other currency	23,691	6,188

The foreign currency detail of balances of monetary items in current liabilities and non-current is as follows:

Current liabilities	Up to 90 days		91 days to 1 year	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	ThUS\$ Unaudited	ThUS\$	ThUS\$ Unaudited	ThUS\$
Other financial liabilities, current	108,287	36,000	62,717	115,182
Chilean peso	95,351	21,542	23,714	79,032
U.S. dollar	12,936	14,458	39,003	36,150
Trade and other accounts payables, current	914,017	919,373	26,618	33,707
Argentine peso	178,826	122,452	3,672	8,636
Brazilian real	24,770	28,810	525	669
Chilean peso	158,315	233,202	12,743	11,311
Colombian peso	5,367	2,964	345	855
Euro	75,224	58,081	2,311	9,165
U.S. dollar	375,589	409,380	281	1,154
Peruvian sol	37,761	39,064	6,251	825
Mexican peso	8,008	2,732	240	115
Pound sterling	4,355	5,839	226	199
Uruguayan peso	591	1,890	—	—
Other currency	45,211	14,959	24	778
Accounts payable to related entities, current	145	760	—	—
Chilean peso	32	546	—	—
U.S. dollar	113	4	—	—
Other currency	—	210	—	—
Other provisions, current	779	959	—	—
Chilean peso	29	30	—	—
Other currency	750	929	—	—

Current liabilities	Up to 90 days		91 days to 1 year	
	As of	As of	As of	As of
	September 30,	December 31,	September 30,	December 31,
	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited	
Tax liabilities, current	—	—	—	174
Argentine peso	—	—	—	174
Other non-financial liabilities, current	17,137	25,190	—	—
Argentine peso	138	393	—	—
Brazilian real	1,059	542	—	—
Chilean peso	5,799	11,283	—	—
Colombian peso	706	837	—	—
Euro	1,729	5,954	—	—
U.S. dollar	5,635	3,160	—	—
Other currency	2,071	3,021	—	—
Total current liabilities	1,040,365	982,282	89,335	149,063
Argentine peso	178,964	122,845	3,672	8,810
Brazilian real	25,829	29,352	525	669
Chilean peso	259,526	266,603	36,457	90,343
Colombian peso	6,073	3,801	345	855
Euro	76,953	64,035	2,311	9,165
U.S. dollar	394,273	427,002	39,284	37,304
Other currency	98,747	68,644	6,741	1,917

Non-current liabilities	More than 1 to 3 years		More than 3 to 5 years		More than 5 years	
	As of	As of	As of	As of	As of	As of
	September 30,	December 31,	September 30,	December 31,	September 30,	December 31,
	2018	2017	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited		Unaudited	
Other financial liabilities, non-current	177,782	276,436	368,567	263,798	180,144	189,500
Chilean peso	90,460	41,548	180,003	189,500	180,144	189,500
U.S. dollar	87,322	234,888	188,564	74,298	—	—
Accounts payable, non-current	312,741	362,964	—	—	—	—
Chilean peso	13,782	13,251	—	—	—	—
U.S. dollar	297,376	348,329	—	—	—	—
Other currency	1,583	1,384	—	—	—	—
Other provisions, non-current	35,080	41,514	—	—	—	—
Argentine peso	582	940	—	—	—	—
Brazilian real	18,542	24,074	—	—	—	—
Colombian peso	340	551	—	—	—	—
Euro	9,549	9,883	—	—	—	—
U.S. dollar	6,067	6,066	—	—	—	—
Provisions for employees benefits, non-current	81,371	77,579	—	—	—	—
Chilean peso	72,782	73,399	—	—	—	—
U.S. dollar	8,589	4,180	—	—	—	—
Other non-financial liabilities, non-current	—	3	—	—	—	—
Colombian peso	—	3	—	—	—	—
Total non-current liabilities	606,974	758,496	368,567	263,798	180,144	189,500
Argentine peso	582	940	—	—	—	—
Brazilian real	18,542	24,074	—	—	—	—
Chilean peso	177,024	128,198	180,003	189,500	180,144	189,500
Colombian peso	340	554	—	—	—	—
Euro	9,549	9,883	—	—	—	—
U.S. dollar	399,354	593,463	188,564	74,298	—	—
Other currency	1,583	1,384	—	—	—	—

General summary of foreign currency:	As of September 30, 2018 ThUS\$ Unaudited	As of December 31, 2017 ThUS\$
Total assets	892,966	850,777
Argentine peso	54,350	75,368
Brazilian real	48,231	70,084
Chilean peso	202,073	235,938
Colombian peso	9,876	3,791
Euro	59,118	70,786
U.S. dollar	119,799	181,706
Other currency	399,519	213,104
Total liabilities	2,285,385	2,343,136
Argentine peso	183,218	132,595
Brazilian real	44,896	54,095
Chilean peso	833,154	864,144
Colombian peso	6,758	5,207
Euro	88,813	83,083
U.S. dollar	1,021,475	1,132,067
Other currency	107,071	71,945
Net position		
Argentine peso	(128,868)	(57,227)
Brazilian real	3,335	15,989
Chilean peso	(631,081)	(628,206)
Colombian peso	3,118	(1,416)
Euro	(29,695)	(12,297)
U.S. dollar	(901,676)	(950,361)
Other currency	292,448	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 September 30, 2018 and 2017, amounted a charge of ThUS \$ 145,593 and a credit of ThUS \$ 48,287, respectively. In the third quarter of 2018 and 2017 they represented a charge of ThUS \$ 67,521 and a credit of ThUS \$ 58,816, respectively.

The exchange differences recognized in equity as reserves for translation exchange differences for the period ended September 30, 2018 and 2017, meant a charge of ThUS \$ 728,962 and a credit of ThUS \$ 110,683, respectively. In the third quarter of 2018 and 2017 they represented a charge of ThUS \$ 118,911 and a credit of ThUS \$ 146,878, respectively.

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

	As of September 30, 2018 Unaudited	2017	As of December 31, 2016	2015
Argentine peso	41.04	18.57	15.84	12.97
Brazilian real	4.02	3.31	3.25	3.98
Chilean peso	660.42	614.75	669.47	710.16
Colombian peso	2,963.85	2,984.77	3,000.25	3,183.00
Euro	0.86	0.83	0.95	0.92
Strong bolivar	—	3,345.00	673.76	198.70
Sovereign bolivar (*)	62.17	—	—	—
Australian dollar	1.38	1.28	1.38	1.37
Boliviano	6.86	6.86	6.86	6.85
Mexican peso	18.68	19.66	20.63	17.34
New Zealand dollar	1.51	1.41	1.44	1.46
Peruvian Sol	3.30	3.24	3.35	3.41
Uruguayan peso	33.05	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 sumame was changed to sovereign.

NOTE 30 - EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	Unaudited			
Earnings / (loss) attributable to owners of the parent (ThUS\$)	33,277	88,140	52,942	160,621
Weighted average number of shares, basic	606,407,693	606,407,693	606,407,693	606,407,693
Basic earnings / (loss) per share (US\$)	0.05488	0.14535	0.08730	0.26487
	Unaudited			
Diluted earnings / (loss) per share	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	Unaudited			
Earnings / (loss) attributable to owners of the parent (ThUS\$)	33,277	88,140	52,942	160,621
Weighted average number of shares, basic	606,407,693	606,407,693	606,407,693	606,407,693
Weighted average number of shares, diluted	606,407,693	606,407,693	606,407,693	606,407,693
Diluted earnings / (loss) per share (US\$)	0.05488	0.14535	0.08730	0.26487

NOTE 31 – CONTINGENCIES

I. Lawsuits

1) Lawsuits filed by LATAM Airlines Group S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*)</u> ThUS\$
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.	81,653

2) Lawsuits received by LATAM Airlines Group S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*)</u> ThUS\$
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.	-	Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26 th , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight.	<p>On April 14th, 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011.</p> <p>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).</p> <p>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\$ 9,549 (8.220.000 Euros)</p> <p>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.</p>	9,549

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*)</u> 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 (Landgericht Köln Germany).	-	Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway, the Netherlands and Germany.	Cases are in the uncovering evidence stage. Mediation is underway for the England case in which nearly all the airlines involved are participating to try to reach an agreement. Mediation began in September and has continued through October 2018. Thus far to date, negotiations point to a potential agreement for approximately US\$800,000, but for the time being, no final outcome can be assured.	-0-
Aerolinhas Brasileiras S.A.	Federal Justice.	0008285-53.2015.403.6105	An action seeking to quash a decision and petitioning for early protection in order to obtain 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) Heman 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. At this time we cannot predict the final amount of the fine as the judicial review by the Federal Court Judge is still pending.	10,081
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.	13,447

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*)</u> ThUS\$
Tam Linhas Aéreas S.A.	Department of 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.	56,572
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.	<p>Unfavorable court decision in first instance. Currently expecting the ruling on the appeal filed by the company.</p> <p>In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered for MUSS107.</p> <p>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.</p>	84,625
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 (<i>manifestação de inconformidade</i>) 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.	54,681

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*)</u> ThUS\$
Aerovías de Integración Regional, AIRE S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01	<p>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.</p> <p>The June 20th, 2013 AIRE 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.</p>	<p>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 LAN 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. The process is pending completion of those opinions to schedule a new hearing. 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 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</p>	12,443

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> (*) 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)		lawsuit and Regional One lawsuit have been consolidated before the same State Court, which has set the trial by jury for September 19, 2019. All parties will attend a reconciliation hearing by order of the Court in December of 2018. 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).	62,917
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.	15,519

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*)</u> ThUS\$
LATAM Airlines Group S.A.	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.	20,072
TAM Linhas Aéreas S.A.	10th Jurisdiction of Federal Tax Enforcement of Sao Paulo	0061196-68.2016.4.03.6182	T a x 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.	37,338
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-

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> (*) ThUS\$
TAM Linhas Aéreas S.A.	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.	14,918
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.	14,998
TAM Linhas Aéreas S.A.	DERAT SPO (Delegacia 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.	22,769
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.	23,455
TAM Linhas Aéreas S.A.	Delegacia 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.	19,170

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (* ThUS\$</u>
TAM Linhas Aéreas S.A.	Delegacia 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.	13,806
TAM Linhas Aéreas S.A.	Delegacia 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.	29,431
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.	35,368
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 Federal	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.	16,123

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed (*) ThUS\$</u>
TAM linhas 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 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.	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 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 KUS\$9.2 for settlement costs and kUS\$3 for legal fees, in addition to interest and any other amount decided by the Arbitrator. On October 8, 2018, the plaintiffs presented a formal claim accompanied by supporting statements by experts. TSA, TLA and AIG responded on October 16th with petitions for the Arbitrator to divide the jurisdiction stage and the grounds-for-arbitration stage.	12,200

- In order to deal with any financial obligations arising from legal proceedings in effect at September 30, 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.

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(*) 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.

I. 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 KUS\$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 KUS\$6,744 and interest of KUS\$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. This line of credit established with a consortium of eleven banks led by Citibank, is not used as of September 30, 2018.

As of September 30, 2018, the Company is in compliance with all the indicators detailed above.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

Lessor	Aircraft	As of September 30, 2018 Unaudited	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 100 Limited	Airbus A320	2	2
Avolon Aerospace AOE 134 Limited	Airbus A321	2	—
AWAS 5234 Trust	Airbus A320	1	1
Baker & Spice Aviation Limited	Airbus A320	1	1
Bank of America	Airbus A321	2	2
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	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	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
Wamos Air S.A.	Airbus A330	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
Total		97	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 September 30, 2018 <u>ThUS\$</u> Unaudited	As of December 31, 2017 <u>ThUS\$</u>
No later than one year	471,651	462,205
Between one and five years	1,634,590	1,620,253
Over five years	1,366,253	1,498,064
Total	<u>3,472,494</u>	<u>3,580,522</u>

The minimum operating lease payments charged to income are the following:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018	2017	2018	2017
	<u>MUS\$</u>	<u>MUS\$</u>	<u>MUS\$</u>	<u>MUS\$</u>
	Unaudited			
Minimum operating lease payments	406,198	443,079	133,395	139,553
Total	<u>406,198</u>	<u>443,079</u>	<u>133,395</u>	<u>139,553</u>

During 2018, two Airbus A321-200 aircraft were added for a period of 10 years each, four Airbus A330-200 aircraft for a period of 4 months, one B747-400 for a period of 3 months, two aircrafts Boeing 777-200ER for a period of 1 year and one aircraft A350-900 for a period of 12 years. On the other hand, one Airbus A320-200 aircraft, two Airbus A330-200 aircraft, one Boeing 747-400, 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 in the margins agreed in the contracts with the lessor, a cost assumed by the lessee. Additionally, for each aircraft, the lessee must purchase policies that cover the associated risk and the amount of the assets involved. 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 must be provided by 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 September 30, 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, 2018
Avalon 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	Sep 6, 2018
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
Engine Lease Finance Corporation	LATAM Airlines Group S.A.	One letter of credit	4,750	Oct 8, 2018
GE Capital Aviation Services Ltd.	LATAM Airlines Group S.A.	Four letter of credit	15,427	Nov 30, 2018
ORIX Aviation Systems Limited	LATAM Airlines Group S.A.	Four letter of credit	8,654	Dec 11, 2018
Sky High XXIV Leasing Company	LATAM Airlines Group S.A.	Seven letter of credit	4,831	Jan 19, 2019
Wells Fargo Bank	LATAM Airlines Group S.A.	Ten letter of credit	16,046	Feb 8, 2019
CIT Aerospace International	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	3,000	Mar 1, 2019
			<u>66,905</u>	

(c) Other commitments

At September 30, 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 de l 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	Dec 25, 2018
Lima Airport Partners S.R.L.	Lan Perú S.A.	Twenty three letter of credit	2,263	Dec 31, 2018
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
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	9,734	Dec 31, 2018
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.	Forty five letter of credit	18,298	Oct 30, 2018
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 e 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 Fazenda Pública da Comarca do Rio de Janeiro - RJ	Tam Linhas Aéreas S.A.	One letter of credit	1,309	Apr 1, 2021
Vara das Execuções Fiscais Estaduis Procon	Tam Linhas Aéreas S.A.	Four letter of credit	8,541	May 23, 2021
	ABSA Linhas Aéreas S.A.			
	Brasileira S/A	One letter of credit	10,495	May 19, 2020
Vara Federal da Subseção de Campinas SP	ABSA Linhas Aéreas S.A.			
	Brasileira S/A	One letter of credit	5,457	Oct 20, 2021
Conselho Administrativo e Conselhos Federais	ABSA Linhas Aéreas S.A.			
	Brasileira S/A	One letter of credit	15,919	Feb 22, 2021
			<u>238,581</u>	

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 September 30,	
						2018	2017
						Unaudited	
						ThUS\$	ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CP A.	Related director	Chile	Tickets sales	CLP	6	16
65.216.000-K	Comunidad Mujer	Related director	Chile	Tickets sales	CLP	—	12
78.591.370-1	Bethia S.A and subsidiaries	Related director	Chile	Services received of cargo transport	CLP	1,220	1,273
				Services received from National and International		(85)	(285)
				Services provided of cargo transport	CLP	—	(17)
65.216.000-K	Viajes Falabella Ltda.	Related director	Chile	Sales commissions	CLP	(570)	(320)
79.773.440-3	Transportes San Felipe S.A	Related director	Chile	Services received of transfer of passengers	CLP	—	1
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	Services provided	CLP	41	60
Foreign	Consultoría Administrativa Profesional S.A. de C.V.	Associate	Mexico	Professional counseling services received	MXN	—	(1,582)
Foreign	Inversora Aero náutica Argentina	Related director	Argentina	Property leases received	US\$	(173)	(202)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Related director	Brazil	Services received of transfer of passengers	BRL	47	35
				Services received of cargo transport	BRL	5	—
				Services received at airports	BRL	(2)	(26)
Foreign	Qatar Airways	Indirect shareholder	Qatar	Services provided by aircraft lease	US\$	16,005	22,857
				Interlineal received service	US\$	(5,538)	(1,023)
				Interlineal provided service	US\$	6,539	4,133
				Services provided of handling	US\$	1,020	649
				Other services received/provided	US\$	1,563	—

The balances of Accounts receivable and accounts payable to related parties are disclosed in Note 9.

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

(b) Compensation of key management

The Company has defined for these purposes that key management personnel are the executives who define the Company's policies and major guidelines and who directly affect the results of the business, considering the levels of Vice-Presidents, Chief Executives and Directors (Senior).

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2018 ThUS\$	2017 ThUS\$	2018 ThUS\$	2017 ThUS\$
	Unaudited			
Remuneration	11,154	14,216	3,399	3,305
Management fees	209	330	114	137
Non-monetary benefits	577	568	163	129
Short-term benefits	36,552	30,874	5,500	9,049
Share-based payments	(8,864)	9,381	(23,334)	3,744
Termination benefits	568	—	568	—
Total	<u>40,196</u>	<u>55,369</u>	<u>(13,590)</u>	<u>16,364</u>

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.

Periods	Base Units				Closing Balance
	Opening balance	Granted	Annulled	Exercised	
From January 1 to September 30, 2017 (Unaudited)	4,719,720	37,359	(1,092,452)	(515,480)	3,149,147
From October 1 to December 31, 2017	3,149,147	—	(100,834)	(115,417)	2,932,896
From January 1 to September 30, 2018 (Unaudited)	2,932,896	—	—	—	2,932,896

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.

At September 30, 2018, the carrying amount of ThUS\$ 7,735, is classified under “Administrative expenses” in the Consolidated Statement of Income by Function.

(c) Subsidiaries compensation plans

(c.1) Stock Options

Multiplus S.A., subsidiaries of TAM S.A., have outstanding stock options at September 30, 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.

Description	3rd Grant	4th Grant	4th Extraordinary Grant	Total
	03-21-2012	04-03-2013	11-20-2013	
Outstanding option number as December 31, 2017	84,249	163,251	68,525	316,025
Outstanding option number as September 30, 2018 (Unaudited)	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:

Company	Number of shares Accrued options		Number of shares Non accrued options	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
	Unaudited		Unaudited	
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 September 30, 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 September 30, 2018 (Unaudited)	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 the periods ended	
	September 30,	
	2018	2017
	ThUS\$	ThUS\$
	Unaudited	
Fuel hedge	45,838	8,179
Hedging margin guarantees	1,573	(4,715)
Change reservation systems	—	(16,120)
Tax paid on bank transaction	(1,000)	(3,813)
Currency derivatives	(1,149)	(13,324)
Bank commissions, taxes paid and other	(6,473)	(7,931)
Fuel derivatives premiums	(8,431)	(2,832)
Guarantees	(14,655)	2,198
Court deposits	(25,457)	(21,122)
Total Other inflows (outflows) Operation flow	(9,754)	(59,480)
Other deposits in guarantee	—	2,801
Tax paid on bank transaction	(1,866)	(2,174)
Others	2,282	(4,475)
Total Other inflows (outflows) Investment flow	416	(3,848)
Loan guarantee	—	80,615
Aircraft Financing advances	—	(26,214)
Settlement of derivative contracts	(7,969)	(35,899)
Total Other inflows (outflows) Financing flow	(7,969)	18,502

Dividends:

	For the periods ended	
	September 30,	
	2018	2017
	Unaudited	
	ThUS\$	ThUS\$
Latam Airlines Group S.A.	(46,591)	(20,766)
Multiplus S.A. (*)	(21,615)	(32,410)
Total dividends paid	(68,206)	(53,176)

(*) Dividends paid to minority shareholders

d) Reconciliation of liabilities arising from financing activities:

Obligations with financial institutions	As of	Cash flows			Non-Flow Movements		As of
	December 31,	Obtainment	Payment		Interest accrued	Reclassifications	September 30,
	2017	Capital	Capital	Interest	and others	ThUS\$	2018
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
							Unaudited
Loans to exporters	314,619	243,001	(95,000)	(7,530)	4,788	—	459,878
Bank loans	321,633	74,663	(96,745)	(10,236)	9,376	—	298,691
Guaranteed obligations	4,036,843	—	(238,217)	(90,724)	92,372	(1,163,805)	2,636,469
Other guaranteed obligations	242,175	694,498	(251,715)	(9,819)	10,884	—	686,023
Obligation with the public	1,584,066	—	—	(54,041)	63,515	—	1,593,540
Financial leases	1,109,504	—	(574,080)	(55,448)	60,962	1,163,805	1,704,743
Other loans	282,800	—	(65,011)	(12,786)	14,593	—	219,596
Total Obligations with financial institutions	<u>7,891,640</u>	<u>1,012,162</u>	<u>(1,320,768)</u>	<u>(240,584)</u>	<u>256,490</u>	<u>—</u>	<u>7,598,940</u>

(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 periods ended	
	September 30	
	2018	2017
	ThUS\$	ThUS\$
	Unaudited	
Increases (payments)	(156,435)	(139,799)
Recoveries	52,057	78,642
Total cash flows	<u>(104,378)</u>	<u>(61,157)</u>

(f) The net effect by the hyperinflation application in the consolidated statement of cash flow for the nine-month period ended September 30, 2018 corresponds to:

	ThUS\$
Net cash flows from (used in) operating activities	(11.384)
Net cash flows from (used in) investment activities	48
Net cash flows from (used in) financing activities	—
Effects of variation in the exchange rate on cash and cash equivalents	11.336
Net increase (decrease) in cash and cash equivalents	<u>—</u>

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.
- 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.

It is highlighted that in 2017, LATAM Airlines Group maintained its inclusion for the fourth 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

Subsequent to the closing date of the financial statements as of September 30, 2018, there has been a significant variation in the exchange rate (Central Bank of Brazil) R \$ / US \$, from R\$ 4.00 to US\$ to R \$ 3.76 per US\$ to November 20, 2018, which represents a appreciation of 6.11% of the Brazilian currency.

On September 30, 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 September 30, 2018, have been approved in an Extraordinary Board Meeting on November 20, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 21, 2018

LATAM AIRLINES GROUP S.A.

By: /s/ Ramiro Alfonsín

Name: Ramiro Alfonsín

Title: Chief Financial Officer
