LATAM AIRLINES

INTEGRATED REPORT 2019

SUMMARY

Click on the buttons and browse the PDF.

Presentation

The 2019 Integrated Report reflects LATAM's commitment to transparency and the periodic accountability to society. This edition presents the main results of the year regarding the most important topics for the business and the Group's *stakeholders*.

For the second consecutive year, LATAM is uniting financial and non-financial information more consistently, based on the integrated reporting principles of the International Integrated Reporting Council (IIRC) and of the GRI standards (Global Reporting Initiative) — main benchmark for sustainability communication in the world.

READING THE REPORT

There are six large blocks of information:

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

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

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

Block 6
Deals with the Group's **financial reports**. LATAM Airlines Group and most of its affiliates maintain their accounting records and prepare their financial statements in US dollars (USD). However, some of its affiliates maintain their accounting records and prepare their financial statements in Chilean pesos, Argentinean pesos, Colombian pesos, or Brazilian reals.

In particular, LATAM Airlines Brazil maintains its accounting records and prepares its financial statements in Brazilian reals. LATAM's audited consolidated financial statements include the results of these affiliates translated into US dollars.

International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), require assets and liabilities to be translated at period-end exchange rates, while revenue and expense accounts are translated at the exchange rate of each transaction date, although a monthly rate may also be used if exchange rates do not vary too widely.

If you have suggestions, comments, or questions regarding the report, please send an e-mail to *investorrelations@LATAM.com* **or** *sostenibilidad@LATAM.com*.

[102-53]

SECTIONS

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

Three specific sections contribute to this edition's objectivity:

Highlights

Found at the beginning of the Report, with the most relevant events and numbers;

STRAIGHT TO THE POINT

Fact sheets on a range of key subjects. These are organized into three parts: Context and positioning, where the relevance of that topic for LATAM, the aviation sector, or society is reported; topic management, with the Group's focus, including opportunities and challenges; and 2019 achievements, a compilation of the most recent actions and their results;

Snapshot

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

CONVENTIONS ADOPTED

• In this annual report, various references are made to "LATAM". Unless the context otherwise requires, references to "LATAM Airlines Group" are to LATAM Airlines Group S.A., the unconsolidated operating entity, and references to "LATAM," "the Group", "Society", "we," "us" or the "Company" are to LATAM Airlines Group S.A. and its consolidated affiliates: Transporte Aéreo S.A. ("LATAM Airlines Chile"), LATAM Airlines Perú S.A. ("LATAM Airlines Perú"), LATAM-Airlines Ecuador S.A. ("LATAM Airlines Ecuador"), LAN Argentina S.A. ("LATAM Airlines Argentina," formerly Aero 2000 S.A.), Aerovías de Integración Regional, Aires S.A. ("LATAM Airlines Colombia"), TAM S.A. ("TAM" or "LATAM Airlines Brazil"), LAN Cargo S.A. ("LATAM Cargo") and its two regional affiliates: Linea Aerea Carguera de Colombia S.A. ("LANCO") in Colombia and Aerolinhas Brasileiras S.A. ("ABSA") in Brazil. In November 2018, LATAM Airlines Group sold its stake in its Mexican cargo affiliate Aero Transportes Mas de Carga S.A. de C.V. ("MasAir"). Other references to "LATAM", as the context may require, are to the LATAM brand, which was launched in 2016 and brings together, under one internationally recognized name, all of the affiliate brands, such as LATAM Airlines Chile, LATAM Airlines Peru, LATAM Airlines Argentina, LATAM Airlines Colombia, LATAM Airlines Ecuador, and LATAM Airlines Brazil.

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

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

• Throughout the text, the GRI indicators are included in brackets. This content can also be found in the Methodology section, which opens section 5 of the report, and concentrates the technical information regarding this edition.

Enjoy your reading!

HIGHLIGHTS 2019

90 YEARS CONNECTING PEOPLE AND DESTINATIONS

41,719 employees

Fleet with 342 short- and long-haul aircrafts

Over 1,300 flights per day

AGREEMENT WITH DELTA AIR LINES

Complementary network between North America and Latin America

New destinations in the other continents

Passenger Operations

74.2 million *passengers transported (all-time record)*

+5.4 million compared to 2018

145 destinations
26 countries
155 shared codes

Load factor: **83.5%**
Consolidated traffic (Passenger: RPK): **+3.9%**[1]
Capacity (Passenger: ASK): **+3.7%**[1]

Cargo Operations

903.8 *thousand tons transported*

152 destinations
29 countries

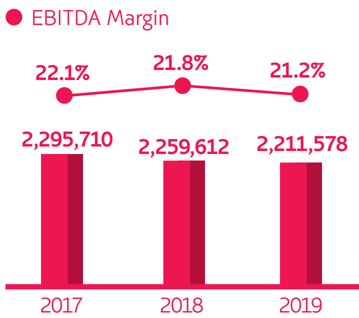
Load factor: **55.5%**
Consolidated traffic (Cargo: RTK): **+1.6%**[1]
Capacity (Cargo: ATK): **+0.4%**[1]

[1] Compared to 2018, excluding the sale of MasAir in late 2018.

ASK: *available seat-kilometers.*
ATK: *available ton-kilometers.*
RPK: *revenue passenger-kilometers.*
RTK: *revenue ton-kilometers.*

ECONOMIC PERFORMANCE

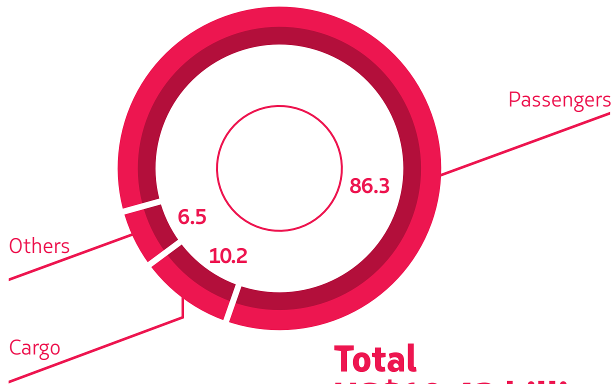
EBITDA (US$ thousand)



EBITDA
earnings before interest, tax, depreciation, and amortization.

The 2017 and 2018 values have been restated pursuant to IFRS 2016 accounting standards.

2019 Revenues (%)



Total US$10.43 billion

US$742 million
in operating income

- **Operating margin of 7.1%**
- **Stable debt level, at around 4.0x.**

HIGHLIGHTS 2019

SECURITY

- *Security Management System and periodic audits*
- *Management's commitment and involvement*
- *Fatigue control and psychological support programs for pilots and copilots*

Job safety

20% decrease in the accident rate compared to 2018.

Accrued decrease of 52% since 2014 (five years).

THE BEST EXPERIENCE

*Selected the **most punctual** in the two main rankings of the sector*[1]

Cabin transformation

of a large part of the fleet with an investment of US$400 million up to 2020

- More space and privacy
- Intelligent seating distribution

For each passenger profile

New fares

Basic economy[2]: for those traveling without baggage

Premium economy: exclusive services

Differentiated on-board experience options on specific routes and schedules

Technology

- Kiosks for self-*check*-in and printing boarding passes and bag tags at airports
- Self bag tag and facial recognition through biometrics in trial stage at airports of Brazil, Ecuador, England, Uruguay, and the US
- Ticket booking on the LATAM App or website
- Interactive map on the website with suggested flights and prices, in addition to the option of adding filters to refine the search
- LATAM Play platform available for smartphones, tablets, or laptops

1 OAG (Official Airline Guide) 2020, Mega Airlines category (the 20 largest in the world in number of scheduled flights) and Cirium ranking 2020, Global Airlines — Network category.

2 Already implemented in LATAM Chile, LATAM Peru, LATAM Colombia, LATAM Ecuador, and LATAM Argentina.

HIGHLIGHTS 2019

SUSTAINABILITY

▶ ***One of the three** most sustainable airlines in the world, according to the Dow Jones Sustainability Index (DJSI) — World category for the 6th consecutive year*

▶ *Presence in the **FTSE4Good** index series of the London (England) stock exchange's Financial Times Stock Exchange (FTSE)*

▶ *Contribution to the United Nations' (UN) **Sustainable Development Goals** (SDG)*

Commitment to the region

Care for My Destination

- Development of sustainable tourism in South America
- 9 projects in 2019 (Argentina, Chile, Colombia, and Peru)
- Over 10 thousand people impacted

Solidary Plane:

- Serving health and natural disaster needs
- 4.1 thousand tickets donated and 87 tons of cargo transported for health and humanitarian aid needs
- Over 800 organs and tissues transported

CLIMATE CHANGE

*Consumption of over **60.6 million** gallons of fuel prevented*

Enough to supply over 1,650 round-trip flights between Santiago and New York

133,120 t de CO_2e
of emissions compensated

14.5 thousand tCO_2e ground emissions at LATAM Argentina, LATAM Chile, LATAM Colombia, and LATAM Ecuador

ECO-EFFICIENCY

Concept of sustainable trip

▶ *Recycle Your Trip program at LATAM Chile: selective collection on domestic flights and client and supplier involvement*

▶ *Studies to eliminate single-use plastics on flights*

Message from the CEO

[102-14]

We are moved by the mission of connecting people and destinations. In the framework of the celebration of our 90 years of history, we succeeded in setting that mission in motion transporting over 74 million passengers who chose LATAM to fly. A record figure for the Company. We are pleased to have the certainty of offering a level of service that improves day by day and that adapts to the various needs of our passengers. The levels of punctuality that we achieved in 2019 were acknowledged in the main *rankings* worldwide, and reflect our commitment to the quality of service. With a level of punctuality of 88%, LATAM was chosen as the most punctual airline in the world among the 20 main airline groups, according to OAG (Official Airline Guide), and the most punctual worldwide in the Global Airlines-Network category, according to Cirium.

During 2019, our passengers witnessed the cabin transformation project, which has already been applied to 67 aircrafts and will continue in 2020, with a total investment of US$400 million. To offer appealing alternatives to our passengers, and based on their different profiles and needs, we have launched a new fare—Basic economy—ideal for short trips or those traveling without baggage. Moreover, we recently launched a superior cabin class—Premium economy—which offers exclusive services both at the airport and on board, and available on all our domestic and international flights operated with A320 family airplanes.

Another relevant milestone was the unification of our loyalty programs under the single brand LATAM Pass, which is not the fourth largest frequent flyer program in the world with over 30 million passengers. In 2019 alone, our clients exchanged 7 million airplane tickets.

In an increasingly more digital world, we continue to invest in technology to improve our passengers' experience and guarantee them greater autonomy. In 2019, we reported a 30% increase in the use of our kiosks for checking in and printing boarding passes and bag tags. We are working to guarantee that the whole pre-boarding process can be 100% automated. We have already implemented a self bag drop system at some of the airports where we operate: São Paulo, Brasilia, and Rio de Janeiro in Brazil, London (England), Bogota (Colombia), and Quito (Ecuador).

Committed to connectivity, we launched 26 new routes in 2019, 12 of which are international. Moreover, we signed a strategic alliance with Delta Air Lines, which will help us to offer our passengers more flight options and shorter connection times through a *Joint Business Agreement* (JBA). However, our agreement with Delta is more than just a JBA. We will seek synergies to strengthen our processes and operations, and we will have greater financial flexibility following the sale and allocation of the purchase commitments for 14 A350 airplanes. Moreover, Delta acquired 20% of the LATAM shares, which strengthens the commitment to the success of this alliance. LATAM now has two large airlines as its partners: Delta Air Line and Qatar Airways.

These alliances with world-class airlines, such as Delta and Qatar, are a reflection of what we have built in the region in the last few years. We are a simpler, more efficient, and competitive organization, ready to face the shifts of a dynamic market that is highly sensitive to the environment. The results of 2019 show resilience.

In my balance of the last year, I cannot forget to mention the social crises that some of the countries in the region are facing. Beyond looking at the challenges that they create for the business, we are constantly empathizing and understanding what is happening in our region.

From the economic point of view, we experienced a slowdown in the international aviation market in Latin America, influenced by a tough economic and social environment in the region. Nonetheless, LATAM ended the year with US$742 million in operating income and an operating margin of 7.1%, in line with Company expectations. Net profit reached US$190 million and our cash flow after investments settled at US$1.1 billion, which enabled us

Enrique Cueto
CEO LATAM Airlines Group

to maintain a healthy liquidity level and stable debt of around 4.0x.

We know that the Group's sustainability is not dependent solely on our financial soundness. In working on LATAM's permanence in time, we also seek to contribute to the economic development of the regions where we operate, social progress, a reduction of the environmental effects of our activities, and preservation of the environment. Thus, we aim for our flight plan to be concrete contribution to make a more balanced and fairer world for all.

The resilience that marks us and the privilege of performing in an extraordinary region strengthens us in face of the future.

For the sixth consecutive time, we were acknowledged as one of the three most sustainable airlines in the world, according to the Dow Jones Sustainability Index (DJSI), and the only one in America to be included in the index. For the first time, we were also included in the FTSE4Good index series of the London (England) stock exchange's Financial Times Stock Exchange (FTSE).

Another relevant milestone in 2019 was the new assessment we made of the Sustainable Development Goals (SDG) to identify our contribution to the achievement of that global agenda. The analysis revalidated LATAM's most effective connection to seven of the 17 goals, and specifically, SDG 13, which regards the actions against climate change.

Reducing the Greenhouse Gas Emissions (GHG) of the operation is the main goal of our strategy, and we are aligned to the most ambitious targets of the Paris Accord, with actions that aim to limit to 1.5°C the rise in global temperature by the end of the century. We maintain a program devoted to the identification and implementation of fuel-use efficiency actions since 2010 and, as a result of the initiatives in the program, we avoided the consumption of 60.6 million gallons of fuel in 2019, thus preventing the emission of 578 thousand tons of GHG and reducing costs by around US$145 million.

As for responsible production and consumption, another goal of the UN agenda, we pioneered an in-flight recycling program, activated as a pilot program on domestic flights in Chile in 2019, and to be extended to our other operations in 2020. We wish to involve our clients in the matter, generating awareness that the preservation of the environment must be a shared task for all.

In the social axis, we celebrated 10 years of the "Care for My Destination" program, which develops sustainable tourism in various places around South America, an example of our commitment to the comprehensive development of the regions where we are present, through preservation and social development programs. With Solidary Plane Health and Solidary Plane Catastrophe, we place our connectivity and structure at the disposal of the demands of the communities in the region. Serving the healthcare needs, we become an air bridge connecting multidisciplinary teams and patients. In natural disaster situations, we assist the affected locations with humanitarian aid and team transportation.

In April 2020, I shall step down from the helm of LATAM after 25 years. I am proud of the long way we have come and I trust in what the future holds in store for us. I thank our shareholders for their trust during this time; clients, for choosing to fly with LATAM; and especially, our team of employees, for the great honor of leading them all these years. Roberto Alvo, who has been with us for 18 years, shall take over as LATAM Group's CEO. Roberto's leadership and knowledge of the industry will help us fly even further. I wish him the greatest success.

The beginning of 2020 has been marked by the consequences of the COVID-19, which fully challenges society, governments, and industries. The pandemic is taking lives around the world, overloading the healthcare systems and affecting the economy. This outlook has led airlines to the most critical moment in their history. The scope and unpredictability of this crisis make it difficult to anticipate results, but we are acting quickly to ensure the Group's long-term sustainability. This is the greatest crisis in history for the tourism and civil aviation sectors. Overcoming it, as an economic segment and as society, depends on adjustments beyond what any company can do individually or even what the sector can do jointly, and it requires a union of public-private support.

Our trust in our work teams, the resilience that is our trademark, and the privilege of performing in an extraordinary region strengthen us to face the most challenging moment in the history of our company.

Let us carry on to go "Together, further".

Enrique Cueto
CEO LATAM Airlines Group

WHO WE ARE

IN THIS CHAPTER

Historical record: 74.2 million passengers transported in 2019

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

The process of unifying the LATAM brand remains underway. The Group ended 2019 with the new brand applied to 98% of the corporate identity with the greatest impact and highest visibility, such as hangars and buildings, and to 45.3% of the fleet.

As the main airline group in Latin America and one of the largest in the world, LATAM Airlines reaches 145 destinations in 26 countries. In the passenger transportation business, it operates in the domestic markets of Argentina, Brazil, Chile, Colombia, Ecuador, Peru, and various regional flights within South America, as well as long-haul flights to all five continents. Through its *hubs* in São Paulo/Guarulhos (Brazil), Lima (Peru), and Santiago (Chile), it boosts its network of connections throughout South America, providing access to the most varied destinations. In 2019, the year of LATAM's 90th anniversary, the company achieved a record number of transported passengers: 74.2 million. The cargo operation covers 152 destinations in 29 countries and transported 903.8 thousand tons in 2019.

Based in Chile, LATAM has roughly 42 thousand employees. In 2019, EBITDA (earnings before interest, tax, depreciation, and amortization) reached US$2.21 billion, operating income settled at US$742 million, and net profit stood at US$190 million. The Group's stocks are traded on the Santiago (Chile) and New York (US) stock exchange.

LATAM's presence in the region, its well-defined business strategy, and its consistent results were essential to the structuring of the strategic alliance with Delta Air Lines. This alliance comprises a commercial agreement, the contribution of US$350 million related to transition costs to implement the agreement, the sale and transfer of fleet commitments, and the recent acquisition of 20% of LATAM's equity by the US airline in a Public Tender Offer of shares (*read more on page 13*).

[+] Find out more:
- Participation in DJSI: *page 49;*
- Legal incorporation and Group's purpose: *page 120*;
- Physical structure (property, units, and equipment): *pages 120 and 121*;
- Company overview: *page 120*.

STRATEGY: CUSTOMER FOCUS

In the last few years, LATAM has focused on a broad transformation process with the aim to make it more streamlined and efficient, ready to respond quickly and anticipate external changes.

After reducing costs, consolidating a more efficient business model, and achieving financial soundness, the Group is even more focused on its customer service, and on offering a better value proposition for the various client profiles: from passengers who travel frequently on business to those who choose LATAM for their first flight ever. LATAM's goal is to provide customers with a fluid process without disruptions, and ensure that everything works as well as possible so clients can have the best experience, from the moment when they decide to travel and are going to purchase their ticket to the moment when they get off the plane. In practice, this commitment translates into maintaining and improving those features that are the main ones of the LATAM brand: its destination network and connectivity potential (offering more destinations, with greater frequency and connection possibilities), operational excellence and a unique and appealing program for its frequent flyers, in addition to customized services and products for each passenger profile. All this can only be achieved through employees' effort, as they represent LATAM in most of the interactions with customers.

In 2019, LATAM began a project to transform the cabins, which involves most of the planes in the fleet, with an investment totaling US$400 million by 2020. The initiative aims to improve the experience of passengers who seek for more comfort, particularly on long-haul flights, offer passengers in the main cabin more options, and enable LATAM to increase its offer of seats. The new cabin model has already been implemented in 67 airplanes, beginning with LATAM Brazil and LATAM Peru.

The Group also invests in technology, to make customers' experience with the brand more practical and give passengers greater control of their trip. In 2019, LATAM made progress in the implementation of the *self bag drop* system, which enables passengers to print out their bag tags, tag, and drop off their baggage, with assistance from a LATAM employee being available, if required. Transversally, technology also reaches the business' most varied areas and fronts, so it is essential for the Group to be able to operate an average of over 1,300 daily flights.

BENCHMARK IN CONNECTIVITY

- **Leader in frequency:** on 60% of the routes, measured in ASK[1], LATAM is the leader in frequency compared to the other airlines operating those routes.
- **Broad destination network:** LATAM offers services to over 80% of the passengers in the countries[2] where it operates, either through direct or connecting flights, or via alliances.
- **Better schedules:** 1/3 of LATAM's clients state that the main reason for flying with the airline is the quality of its itineraries, either in terms of flight schedules and/or more suitable routes (shorter and with fewer connections)[3].

1 ASK: Available Seat Kilometer—number of seats available multiplied by the distance flown. Considering all the routes operated in 2019.

2 Considering LATAM's destinations offer in 2019 and all commercial flights in the countries where the Group operated in the same period.

3 According to survey from 2019.

LATAM Airlines: voted the most punctual among the 20 largest airlines in the world for the second consecutive year.

Particularly regarding the destination and connectivity network, LATAM launched 26 new routes during 2019. On the other hand, it agreed with Delta Air Lines on the implementation of a Joint Business Agreement (JBA), subject to regulatory approval, to better connect North and South America.

In turn, LATAM announced its exit from the **one**world alliance as of May 1st, 2020, which does not affect most of the bilateral agreements LATAM has with other airlines that remain in the alliance.

On-time performance was another outstanding figure in 2019. For the second consecutive year, LATAM was chosen as the most punctual among the 20 main airlines in the world in number of scheduled flights, according to OAG (Official Airline Guide) and it came in fifth in the overall *ranking*. The Group was also acknowledged as the most punctual in the world in the Global Airlines—Network category, according to Cirium.

AGREEMENT WITH DELTA AIR LINES

In September, LATAM Airlines and Delta Air Lines announced a strategic agreement that establishes a US$1.9 billion investment by Delta to acquire 20% of LATAM's equity (equivalent to US$16 per share). The agreement is an important acknowledgement of LATAM as a leading airline group in Latin America, proving the soundness of its business model.

In addition to greater connectivity for clients, the agreement will provide opportunities for synergies and the exchange of good practices in other areas, such as fleet, maintenance, technology, supplier management, and others. To cover the transition costs, Delta will contribute a total of US$350 million.

One of the points of the agreement states that Delta will take on the commitment for the purchase of 10 LATAM A350 airplanes from Airbus, and the sale of 4 LATAM A350 airplanes to Delta. For LATAM Group, this will result in an improvement in cash flow and in the capital structure, as well as in a reduction in future debt.

Once the regulatory requirements of the U.S. Department of Transportation, the local authorities of Chile, Brazil, and other relevant South American authorities are fulfilled, it will open the possibility of combining two complementary networks between North and South America to offer greater connectivity between these regions and with access to 435 destinations worldwide.

VALUE GENERATION MODEL

1

To materialize its own business, LATAM uses capitals of various natures, which serve as inputs for work.

INPUTS

Human capital
Employees

Manufactured capital
Fleet | Maintenance
Bases | Hangars

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

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

Financial capital
Revenues | Capital | Assets

Natural capital
Jet fuel

2

Through its activities, LATAM transforms those inputs into results and effects.

ACTIVITIES

What we do and how we do it

Corporate responsibility
- Sustainable tourism
- Avión Solidario
- Local actions

Environmental care
- Focus on climate change
- Ecoefficiency
- Risk management and impact mitigation

Customer orientation
- New sales model
- Innovation and technology
- Commercial agreements and partnerships
- Loyalty programs

Governance and management
- Ethics
- Financial responsibility
- Consistent strategy
- Security and efficiency
- Employee development

3

The results are the most visible aspect of the operation, the materialization of the work.

RESULTS

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

IMPACTS

	For LATAM	For stakeholders
Value proposal focused on the customer	• Adaptation to different profiles and segments • Income diversification	• Access • Autonomy • Freedom of choice
Connectivity	• Market share • Leadership in the region	• Mobility • Economic impact
Security	Credibility	Trust
Ecoefficiency	• Response to a conscious market • Cost reduction	• Natural resource economization • Lower environmental impact and less noise
Commitment to the region	• Identity and purpose • Appeal for the region • Commitment	• Economic development • Social strengthening • Care of the environment
Strategic debate	• Knowledge exchange • Sector development • Compliance	• Joint construction • Agenda of topics of interest for the various stakeholder groups

4

However, the company's main value delivered is its capacity to generate lasting positive impacts for the business and its stakeholders

TIMELINE
In 2019, LATAM celebrated its 90th anniversary — a history spanning nearly one century, marked by the commitment to continuously connect more people and destinations. Below, we present the main milestones in that track record.

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

1946
First LAN international flight: Santiago (Chile) – Buenos Aire

1956
Start of LAN services to Lima (Peru).

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

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

1970
LAN begins flights to Europe.

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

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

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

1985
LAN becomes a joint stock company.

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

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

1990
Brasil Central renamed TAM – Transportes Aéreos Meridonais.

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

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

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

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

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

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

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

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

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

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

2002
LAN Alliance with Qantas and Lufthansa Cargo.

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

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

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

Start of TAM flights to Santiago (Chile)

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

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

Start of flights to New York and Buenos Aires.

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

Launch of new LAN Premium Business Class.

TAM S.A. lists on the NYSE.

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

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

Implementation of low-cost model in domestic markets.

Capital increase of US$320 million.

2008
Completion of renewal of LAN's short-haul fleet with aircraft from the Airbus A320 family.

TAM receives its first Boeing 777-300ER.

2009
Start of cargo operations in Colombia and domestic passenger operations in Ecuador.

Launch of Multiplus Fidelidade.

2010
Acquisition of Colombia's Aires airline.

TAM officially joins Star Alliance.

2011
LAN and TAM sign binding agreements related to the business combination of the two airlines.

2012
LATAM Airlines Group is born as a result of the business combination between LAN and TAM. Issuance of 2.9 million shares.

2013
Capital increase for America. US$940.5 million

2014
TAM joins oneworld® alliance, which becomes LATAM Airlines Group global alliance.

LATAM launches its 2015–2018 Strategic Plan.

2015
LATAM is born: the New Brand for LAN Airlines, TAM Airlines and Affiliates.

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

2016
Capital increase of US$608 million with which Qatar Airways acquires 10%[1] of the total of paid and subscribed shares of LATAM.

2017
Implementation of the new travel model by the affiliates of the domestic markets.

2018
Inauguration of the first flight to Asia.

New sales model comes to international flights.

2019
Announcement of strategic agreement with Delta Air Lines to provide more and better options to passengers through a complementary network of connections between Latin and North America.

LATAM announces its exit from the **one**world alliance as of May 1st, 2020.

1 Qatar holds 9.9999998% of LATAM's total subscribed and paid-in shares.

Fleet

LATAM's fleet comprises 342 airplanes, with an average age of under 9 years old. With the most modern models in each category, the fleet for long-haul flights has 80 airplanes, 13 of which are Airbus A350-900 and 26 are Boeing 787 Dreamliner, versions 8 and 9. The models are worldwide benchmarks of efficiency in fuel consumption and the reduction of greenhouse gas emissions and noise. Among the 250 airplanes in the Airbus A320 family operating on domestic and regional flights in Latin America, we find the A320neo model, which consumes 15% less fuel and generates 50% less noise than the equivalent model of the previous generation. The fleet is complete with another 12 Boeing 767F airplanes of LATAM Cargo which, in a combined strategy, uses both the carriers and the cargo holds of the passenger planes.

In 2019, LATAM Airlines Brazil added to its fleet 14 Airbus A320-200 airplanes to be used on the domestic market, operating mainly at the Guarulhos (Sao Paulo) and Santos Dumont (Rio de Janeiro) airports, taking advantage of new opportunities in the Brazilian market.

342

airplanes with an average age below 9 years and the most modern models in their category make up LATAM's fleet.

As part of the agreement signed with Delta Air Lines, the US airline took over the commitment of purchasing 14 of LATAM's Airbus A350 airplanes: four from the current fleet and ten that are included in the Group's fleet plan commitments, with deliveries scheduled as of 2020. The move contributes to the Group's financial flexibility, with an improvement in cash flow, and it does not compromise its growth strategy, as LATAM maintains plane leases with third parties and continues to move forward with the cabin modernization of a large part of its fleet, which includes increasing the number of seats per airplane.

MAINTENANCE

LATAM has general maintenance, line, and components facilities, all equipped and certified to service the Boeing and Airbus fleet. Its two Maintenance, Repair, and Operation (MRO) bases are responsible for the overall maintenance of the Group's airplanes, in addition to servicing third parties on occasion. The MRO bases are also responsible for planning and executing the airplane returns, in line with the Group's fleet plan.

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

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

LATAM's two MRO bases performed 425 maintenance services throughout the year, which translates into 71% of the total maintenance of the fleet; the remainder was left to external suppliers. The services performed on the company's own units totaled 1,35 million man-hours worked.

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

At december 31, 2019	Aircraft included as right-of-use assets	Aircraft included under property, plant and equipment	Total
OPERATING FLEET			
Passenger fleet			
Airbus A319-100	9	37	46
Airbus A320-200	46	96	142
Airbus A320-Neo	6	7	13
Airbus A321-200	19	30	49
Airbus A350-900	7	6	13
Boeing 767-300 ER	2	29	31
Boeing 777-300 ER	6	4	10
Boeing 787-8	4	6	10
Boeing 787-9	10	6	16
Total	**109**	**221**	**330**
Cargo fleet			
Boeing 767-300F	1	11	12
Total	**1**	**11**	**12**
Total fleet	**110**	**232**	**342**

	Length (m)	Wingspan (m)	Seats/Freight volume (m^3)	Cruise speed (km/h)	Maximum take-off weight (kg)
Short-haul fleet					
Airbus A319-100					
Airbus A319-100	33.8	34.1	144	830	70,000
Airbus A320-200	37.6	34.1	156-168-174	830	77,000
Airbus A320-200-Neo	37.6	34.1	174	830	77,000
Airbus A321-200	44.5	34.1	220	830	89,000
Long-haul fleet					
Airbus A350-900	66.8	64.8	348	903	186,880
Boeing 767-300	54.9	47.6	221-238	851	186,880
Boeing 777-300 ER	73.9	64.8	379	894	346,500
Boeing 787-8	56.7	60.2	247	903	227,900
Boeing 787-9	62.8	60.2	313	903	252,650
Cargo fleet					
Boeing 767-300 F	54.9	47.6	445.3	851	186,880

Operations

12 international routes opened in 2019.

INTERNATIONAL MARKET

International passenger operations, which include regional flights between South and Central America and the long-haul flights to and from the five continents, stood for 44.8% of the Group's total revenue in 2019. Considering only revenues from passengers, international flights stood for 50.6%. In the annual consolidated figure, 16.2 million people traveled with LATAM to international destinations—a 1.6% decrease from the previous year, when the Group transported 16,5 million passengers on its international flights.

Passenger demand, measured in RPK (revenue passenger kilometers), which is equivalent to the number of paid passengers transported, times the distance flown, increased 4.6% compared to 2018. Offer, measured in ASK (Available Seat Kilometers), equivalent to the number of seats available, times the distance flown, increased 4.1% compared to the previous year. With these results, load factor rose 0.4 percentage points compared to 2018, settling at 83.5%.

In South America, LATAM operates an average of 162 daily flights between the region's countries, and has the largest market share in the region, with 43.6%, followed by Avianca (19.3%), Gol (9.6%), and Aerolíneas Argentinas (8.7%). Of the 12 routes opened in 2019, three offer direct non-stop flights, from the Brazilian capital (Brasilia) to the capitals of Chile (Santiago), Peru (Lima), and Paraguay (Asuncion). The Group also launched the São Paulo/Guarulhos – Mount Pleasant and Concepcion (Chile) – Lima (Peru) flgiths, among other new routes.

In 17 countries of North America, Europe, Asia, Africa, and Oceania, an average of 81 daily flights are operated by LATAM. Some examples are the São Paulo/Guarulhos (Brazil) – Las Vegas (US), Santiago (Chile) – São Paulo/Guarulhos (Brazil) – Tel Aviv (Israel) routes, which guarantees the Group's presence in the Asian continent, and Santiago (Chile) – Melbourne (Australia).

AMERICA WORLD CUP

In order to meet the demand generated by the America Soccer World Cup, held in Brazil in June and July, LATAM adapted its operation of regional flights. For instance, it offered 12 daily flights from Santiago (Chile) to the São Paulo/Guarulhos *hub*, and the host cities of Salvador de Bahia and Rio de Janeiro. LATAM Travel created special packages — including airfare and lodging — for five capitals where the games were held: São Paulo, Rio de Janeiro, Salvador de Bahia, Porto Alegre, and Belo Horizonte.

DOMESTIC MARKET

In 2019, 58 million people traveled on domestic flights operated by LATAM Airlines Argentina, LATAM Airlines Brazil, LATAM Airlines Chile, LATAM Airlines Colombia, LATAM Airlines Ecuador, and LATAM Airlines Peru. This figure translates into 10.8% growth over the total people (52.4 million) transported in 2018, and it was driven, particularly, by the Group's domestic operations in Brazil — the largest market in South America. The gradual recovery of internal demand and the changes in the competitive environment of Brazil were the main factors that led to the increase in the total number of passengers transported by LATAM Brazil on domestic flights during the period.

In 2019, the domestic passenger operation stood for 42.7% of LATAM's total revenues, and 49.4% of passenger revenues. In the consolidated figure for the six countries, average passenger demand, measured in RPK, grew 9.3% compared to 2018, whereas the offer, measured in ASK, increased by 8.9%, affecting the load factor, which rose 0.3 percentage points to settle at 81.8%.

14 domestic routes launched in 2019.

On average, 1,119 domestic flights per day can take off and land at over 100 airports; in Brazil alone, LATAM operates in 47 airports with an average of 602 domestic flights daily. In Peru, the Group operates in 20 airports; in Chile, in 17. LATAM is the market leader in Peru, with a 63% market share, and in Chile, with 54%. In Argentina, Brazil, Colombia, and Ecuador, it is the second largest operation.

The domestic destinations network was also expanded in 2019. The flight from Santos Dumont, in Rio de Janeiro (Brazil), to the city of Curitiba (Brazil) was one of the 14 domestic routes launched in the year.

LATAM CARGO

As the main air freight carrier group in Latin America, LATAM Cargo reaches 152 destinations in 29 countries. It has an exclusive cargo network with seven destinations — one in North America, two in South America, one in the Caribbean, and three in Europe — in addition to all the other destinations operated by LATAM in the passenger transportation business.

Throughout the year, factors such as local currency devaluation against the USD, particularly in Brazil and Argentina, and the economic uncertainty worldwide had a negative impact on imports markets and were reflected in the performance of LATAM Cargo. This result was partially countered by a better performance of the domestic and exports markets, mainly benefiting from salmon and flower exports. In the 2019 consolidated figure, revenues from cargo transportation stood for 10.2% of LATAM's total revenues. Cargo capacity fell 2.2%, whereas load factor was 0.3 percentage points higher than in 2018, settling at 55.5%.

In the year, 903.8 thousand tons of cargo were transported and satisfaction levels with the service rendered increased (*see more in* *Customers*).

The Group remained focused on its business strategy, based on maximizing the use of the cargo holds on passenger planes and complementing its offer with its freighter planes. Along that line, a milestone for the company was the increase of its fleet, totaling 11 freighter planes, after receiving two passenger planes overhauled into cargo planes in July and December, respectively, per an agreement signed with Boeing in late 2017.

During 2019, the company worked on developing RESTART, its digital transformation project announced in 2018, whose goal is to reduce to one the various operating systems currently in use.

With the launch of the new perishable cargo warehouse in Guarulhos (Brazil), LATAM Cargo strengthens its value proposition for its clients.

Among the products that LATAM Cargo transports are perishables (salmon, asparagus, flowers, and fruit, among others), pharmaceuticals, large-load cargos, high-value merchandise, hazardous materials, postal and courier cargo, as well as live animals, among others. There are 11 types of care available, with specialized professionals and specific handling and transportation procedures. For pharmaceutical products, LATAM Cargo remains certified under the Center of Excellence of Independent Validators (CEIV Pharma) program from the International Air Transport Association (IATA). In 2020, it will undergo the recertification process. In 2019, the Miami (US) operations were recertified under environmental management standard ISO 14001.

After selecting the type of care, customers can also choose one of three shipping formats: standard, express, and flex. In the express option, the cargo is marked as priority shipping. In the flex option, LATAM Cargo guarantees the delivery time, which ranges from two to seven business days, leaving open the route and type of plane to be used for transportation. This autonomy reduces operating costs and enables LATAM Cargo to offer more competitive pricing. In order to meet the specificities of the domestic markets, the Group has similar and specific portfolios.

Transportation of domestic animals

During 2019, LATAM updated its internal guidelines to improve the transportation of domestic animals, maintaining the commitment of guaranteeing the pet's health, safety, and wellbeing, as well as the owner's peace of mind. The goal is to standardize the experience of customers who hire the service, regardless of whether the pet travels in the cabin with the passenger or in the cargo hold. The revision included offering a greater volume of information to pet owners, updating the rules of each country for this type of transportation, and homogenizing a new fare structure for the service, whose goal was also to standardize the experience.

Moreover, LATAM Cargo has joined the International Pet and Animal Transportation Association (IPATA), which will allow the Group to follow even more closely the discussions and best practices on the matter.

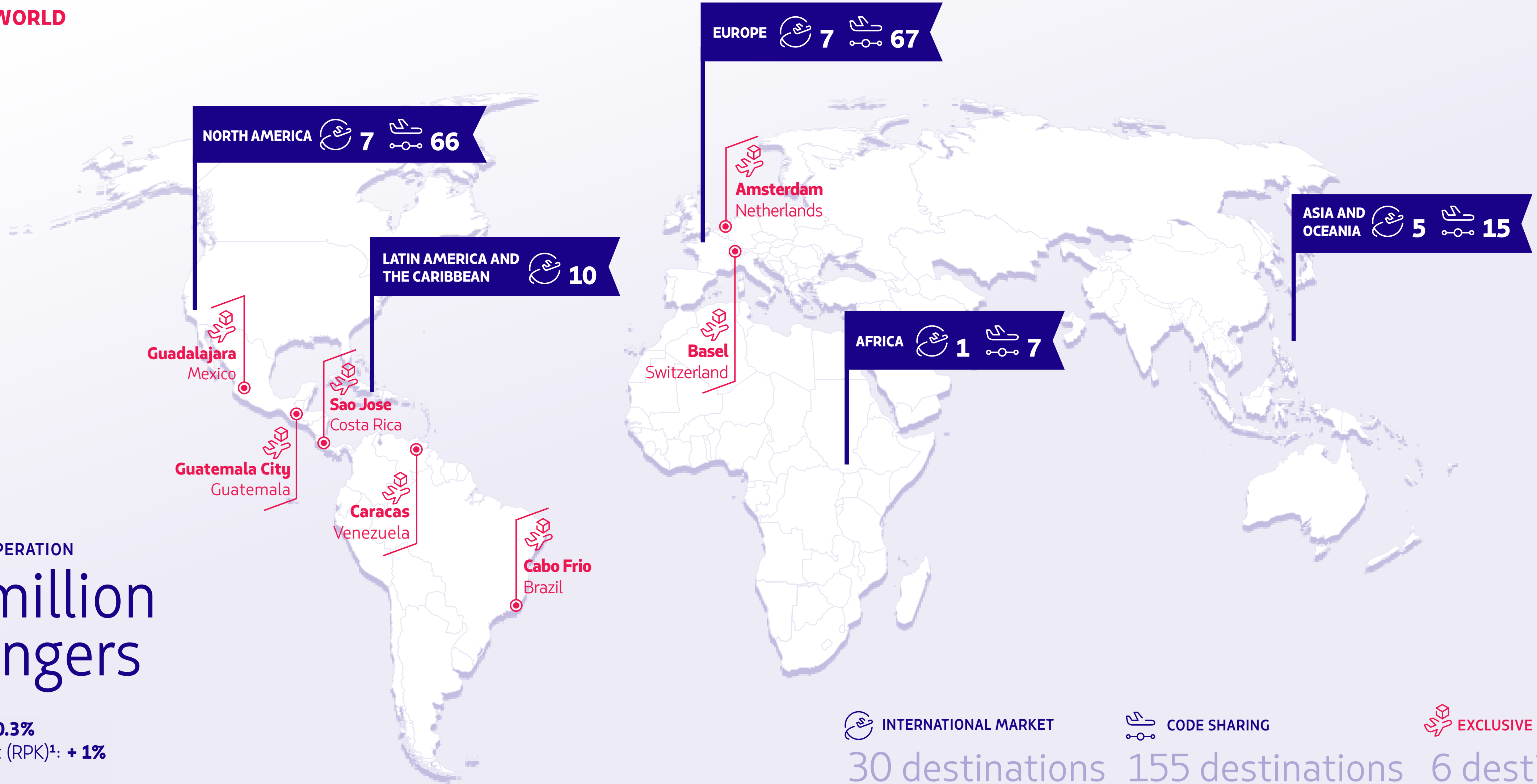
NEW REFRIGERATED WAREHOUSE FOR PERISHABLE CARGO

In order to offer an even more specialized value proposition to the clients with perishable cargo — e.g. flowers, salmon, and asparagus, among others — LATAM Cargo opened its new refrigerated warehouse with controlled temperature in its hub at the airport of São Paulo/Guarulhos, Brazil. The new *Perishable Hub*, as it is known, began operations on December 25, and translated into a 33% increase in LATAM's capacity to store this type of products in Guarulhos. With the new warehouse, the perishable shipments in transit remain in environments with controlled temperatures, which extends their freshness and safeguards their properties.

The cooler measures over 1,600 square meters, half of which have refrigeration chambers, divided into two spaces: in the first one, the temperature ranges from 0 to 2 degrees, whereas in the second, it ranges from 2 to 12 degrees. The cooling system is adjustable and can reach 22 degrees, should there be a product that requires a different storage temperature.

LATAM IN THE WORLD

[102-4 and 102-6]



INTERNATIONAL MARKET
30 destinations

CODE SHARING
155 destinations

EXCLUSIVE CARGO DESTINATIONS
6 destinations

INTERNATIONAL OPERATION

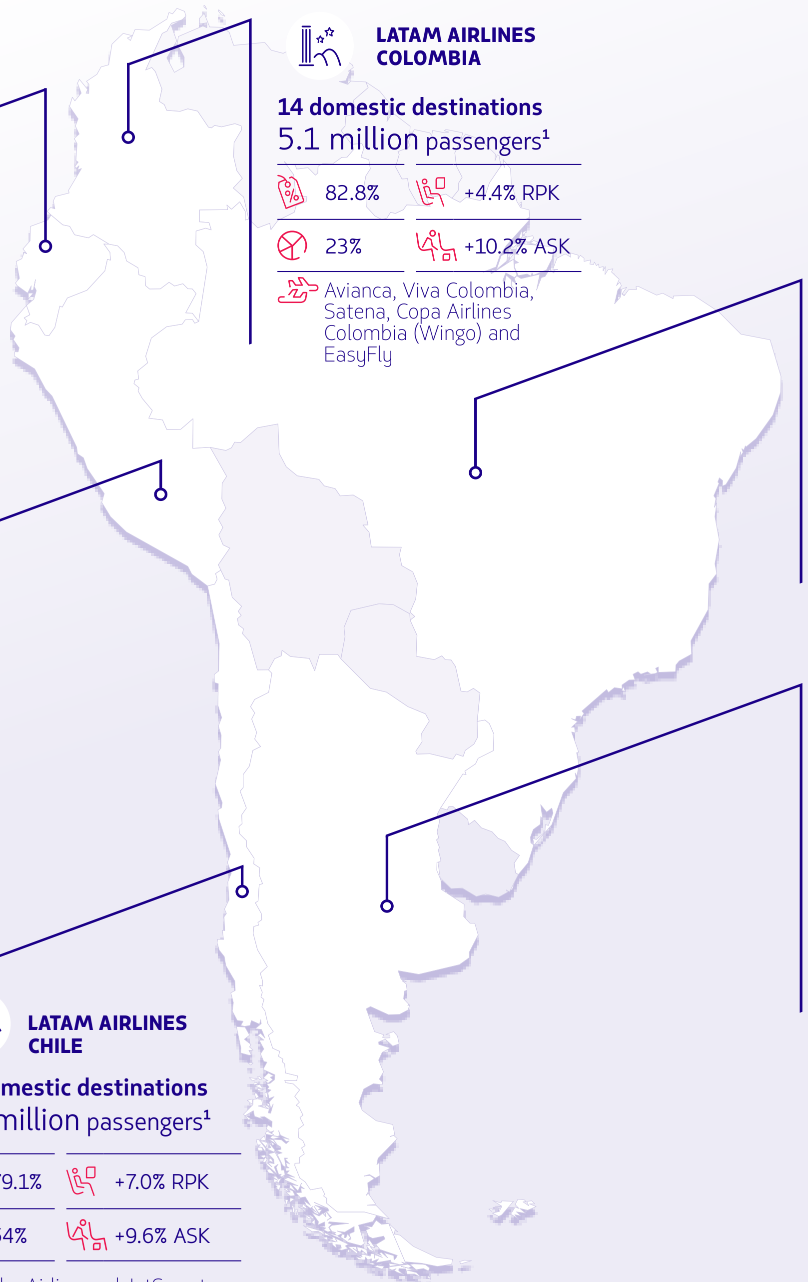
16.1 million passengers

Load factor: **84.9%**
Capacity (ASK)[1]: **+ 0.3%**
Consolidated traffic (RPK)[1]: **+ 1%**
1 Compared to 2018.

DOMESTIC MARKET

[102-4 and 102-6]

- Load factor
- Market share
- Consolidated traffic[2]
- Capacity[2]
- Main competitors



LATAM AIRLINES COLOMBIA

14 domestic destinations

5.1 million passengers[1]

- Load factor: 82.8%
- Consolidated traffic: +4.4% RPK
- Market share: 23%
- Capacity: +10.2% ASK
- Main competitors: Avianca, Viva Colombia, Satena, Copa Airlines Colombia (Wingo) and EasyFly

LATAM AIRLINES ECUADOR

6 domestic destinations

1.2 million passengers[1]

- Load factor: 82.8%
- Consolidated traffic: -1.7% RPK
- Market share: 29%
- Capacity: +1.6% ASK
- Main competitors: TAME and Avianca

LATAM AIRLINES BRAZIL

45 domestic destinations

31.5 million passengers[1]

- Load factor: 82.5%
- Consolidated traffic: +10.5% RPK
- Market share: 38%
- Capacity: +0.3% ASK
- Main competitors: GOL and Azul

LATAM AIRLINES PERU

20 domestic destinations

8.6 million passengers[1]

- Load factor: 79.3%
- Consolidated traffic: +16.4% RPK
- Market share: 63%
- Capacity: +20.1% ASK
- Main competitors: Sky Airline Peru, Viva Airlines Perú, Star Perú and Avianca

LATAM AIRLINES ARGENTINA

13 domestic destinations

2.5 million passengers[1]

- Load factor: 87.0%
- Consolidated traffic: +5.5% RPK
- Market share: 16%
- Capacity: +0.8% ASK
- Main competitors: Aerolíneas Argentinas, Flybondi, JetSmart, Norwegian and Andes

LATAM AIRLINES CHILE

17 domestic destinations

8.8 million passengers[1]

- Load factor: 79.1%
- Consolidated traffic: +7.0% RPK
- Market share: 54%
- Capacity: +9.6% ASK
- Main competitors: Sky Airline and JetSmart

DOMESTIC OPERATION

115 destinations

58 million passengers

Load factor: **81.8%**

Market share: **43%**

Consolidated traffic[2]: **+1.8% RPK**

Capacity[2] : **+2.3% ASK**

1 Total transported by the affiliate.

2 Compared to 2018.

LATAM Pass: 7 million tickets were exchanged in 2019.

FREQUENT FLYER PROGRAM [102-2]

As announced during 2018, LATAM completed, early in 2019, the acquisition of 27.3% of Multiplus' shares, which were held by minority shareholders, following which it integrated Multiplus into LATAM Airlines Brazil. Later, in 2019, LATAM completed the process of unifying the loyalty programs. Both in Brazil and in Hispanic countries, relations with frequent flyers are now carried out through the LATAM Pass program, which stands as the fourth largest in the world, with close to 30 million members.

According to the annual consolidated figure, 7 million tickets were exchanged. The program offers other advantages to its affiliates, which vary based on the client's category within the loyalty program, such as cabin *upgrades* and the offer of LATAM+ seats, with additional space and other comforts.

LATAM Pass operates four Elite categories: *Platinum*, *Gold*, *Black*, and *Black Signature*. In Brazil, a fifth category—Gold Plus—was launched in 2019, serving an intermediate range between the Gold and Platinum categories. It is designed for frequent flyers on domestic flights, and it offers advantages such as: Priority Check-in and boarding; moving their flight to an earlier or later one on the same day, and upgrade coupons.

LATAM PASS: MORE DIGITAL

Since the unification of the loyalty program, LATAM has been working on implementing, on the LATAM App and the website, a function that will enable clients to choose how they wish to pay for their ticket: with LATAM Pass miles, with money, or with a combination of both.

Since early 2019, LATAM has deployed a digital platform to store in a single site all the data generated in the various databases, which will enable the Group to make a more strategic use of the tools available, such as *data analytics* and artificial intelligence. Hosted in the cloud, this platform will be fed information from the various areas of LATAM, and it will also be available, simultaneously, to all of them. The processing of these data makes it possible, for instance, to offer products that better fit the client profile, based on their history with LATAM or with the LATAM Pass frequent flyer program.

The use of *data analytics* should also have a positive effect on the operation itself. The Digital Technology area is already developing models to identify in advance any delays in operations and reduce the impact on passengers.

Awards and acknowledgements

LATAM was acknowledged once again for its attributes, such as customer service, on-time performance, and its commitment to sustainability. A milestone was the acknowledgment of the Group's Integrated Report as the second best annual report in Chile, according to Informe Reporta Chile. The classification analyzes the financial and non-financial accountability reports of the 40 main companies trading on the Santiago Stock Exchange, based on four criteria: transparency, commitment (ESG issues: environmental, social, and corporate governance), relevance (publication of the main impacts that result from the company's activities and influence decision-making), and accessibility.

Below, some of the awards received.

SERVICES

- **APEX 2020 (Airline Passenger Experience Association):** 1st place in Best In-Flight Service and Best In-Flight Entertainment in South America, acknowledging the company's work to improve the travel experience.
- **OAG (Official Airline Guide) 2020:** Acknowledged for the second consecutive year as the most punctual airline group among the 20 largest airlines in the world in number of scheduled flights.
- ***Cirium On-Time Performance Review 2020:*** Acknowledged as the most punctual airline in the world, awarded the first place in on-time performance in the Global Airlines—Network category.
- ***World Line Airline Awards – Skytrax 2019,*** the most important award in the airline industry: 1st place in the categories of Best Airline in South America, Best Business Class, and Best Economy Class among the South American Airlines.
- ***Cirium On-Time Performance Review 2019:*** Voted as the most punctual in 2019 in the Global Airlines — Network category; in the monthly rankings published, it was the most punctual in the world in April, June, August, and September.
- **APEX 2019 (Airline Passenger Experience Association):** 1st place in the Best Overall Airline of South America and Best Wi-Fi Service, Best In-flight Entertainment, Best Cabin Service, and Best Seat Comfort, among South American airlines.
- **PAX International Readership Awards – Outstanding Food Service by a Carrier:** Acknowledged as the airline with the best in-flight menu in South America.

SUSTAINABILITY

- **Dow Jones Sustainability Index 2019:** Listed in the *World* category of the index (DJSI World) for the sixth consecutive year. LATAM is the only airline in America included in the ranking. The Group is also part of the DJSI Chile and DJSI MILA Pacific Alliance, which assesses 30% of the companies listed in the S&P with the best performance in Chile, Colombia, Mexico, and Peru.
- ***The Sustainability Yearbook 2020:*** LATAM was acknowledged in the Bronze category of the publication, prepared by S&P Global's consulting firm, SAM CSA.
- **Informe Reporta – Chile:** *Sustainability Report 2018*, chosen as the second best report among public companies trading on the Chilean Stock Exchange (IPSA).
- **Companies and Leaders Merco Award – Chile:** Voted the company with the best corporate reputation in the Transportation category.
- **Peru 2021 Award – Peru:** Acknowledged as a Socially Responsible Enterprise.

PEOPLE MANAGEMENT

- **Merco Talent Award – Chile:** Voted as the company with the best talent attraction and retention in the Transportation category.
- **IMPULSA Female Talent Award – Chile:** Acknowledged as the company that most encourages female talent in the Transportation and Telecommunications sector.
- **Randstad Employer Brand Research Award – Argentina:** Voted as the best company to work for in Argentina.

OTHERS

- **TheDesignAir Awards 2019:** 1st place in the Best Design Airline category – South America.

CORPORATE GOVERNANCE

IN THIS CHAPTER

Performance guidelines

[102-5]

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

The corporate governance practices are ruled by the provisions of Law No. 18,045 of the Securities Market, Law No. 18.046 on Stock Corporations, and the rules of the CMF in Chile. They are also ruled by the laws and regulations of the United States of America and its Securities and Exchange Commission ("SEC"), in addition to the specific regulations of the countries where LATAM operates.

The Group's commitment to the best corporate governance and *compliance* practices involves all employees. A series of initiatives and instruments are adopted to guide the internal behavior, based on ethics, transparency, compliance, and integrity, as well as to ensure improvements in accountability processes and in the fight against illicit acts, such as corruption, bribery, monopolistic practices, and money laundering. Some examples of the *Compliance* Program and the various corporate policies are provided below:

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

- **Set of corporate policies** (*see chart*)**;**

- **Manual for Handling Relevant Information:** in addition to adhering to Chilean law 20,382 regarding Corporate Governance and the CMF's regulations, this document regulates the disclosure of transactions, the voluntary quiet periods for trading LATAM's stocks, the mechanisms for disclosing relevant information, and the processes to prevent leaks of confidential information by its employees and executives;

- **Crime Prevention Manual:** created in 2014, it is part of the Crime Prevention Model and defines the roles and responsibilities within LATAM to prevent crimes, considered under Chilean law n°. 20,393, which establishes legal entities' liability;

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

RELATED PARTIES

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

Transactions carried out in 2019 between LATAM and its subsidiaries are included in the consolidated financial statements for the financial year ended on December 31, 2019. For further information, please refer to *note 33* of the *Financial Statements*.

CORPORATE POLICIES [102-16]

LATAM is constantly improving the internal regulatory framework that guides the performance of day-to-day business. There are several set policies, including:

- Code of Conduct ()
- Code of Conduct for Suppliers[1] ()
- Code of Conduct for Senior Executives
- Compliance Policy on Anticorruption
- Compliance Committee Policy
- Executives' Roles and Responsibilities Policy
- Crime Prevention Manual
- Policy for the Entry of New Board Members
- Risk Management Policy (*see page 61*)
- Policy for Monitoring Related-Party Transactions
- Political Contributions Policy ()
- Policy on Information Security (*see page 62*)
- PCI (Payment Card Industry) Security Standards (*see page 62*)
- Corporate Treasury Policy
- Tax Policy
- Mergers and Acquisitions Policy
- Procurement Policy (*see page 68*)
- Supplier Payments Policy
- General Payment Policy
- Escalation Policy (scaling up decision-making to a higher level)
- Policy on Gifts, Entertainment, and Travel
- Policy on Special Services for Public Officials
- Donations Policy[2] (*see page 106*)
- Security, Quality, and Environment Policy ()
- Sustainability Policy (*see and page 44*)

1 Policy created in 2019.
2 Policy revised in 2019.

TRAINING ON ETHICS AND INTEGRITY

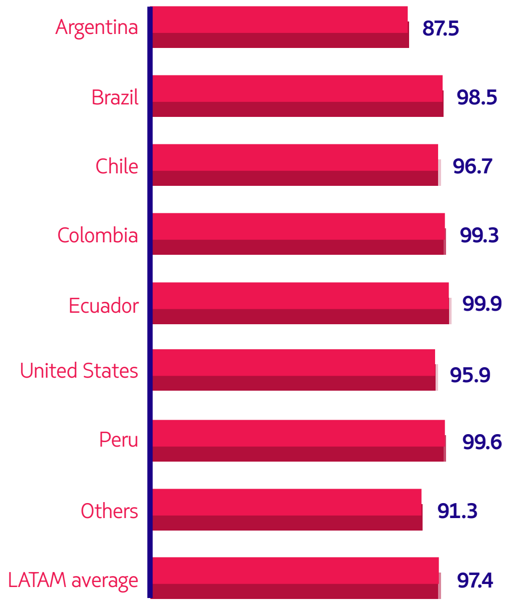
Employees take periodic training on topics such as ethics, compliance, corruption prevention, and monopolistic practices. The contents are presented in the new employee induction process and they are part of the annual training schedule for updating knowledge.

Periodic training on the specific contents of the Code of Conduct is mandatory. In 2019, 97.4% of the employees, 95.5% of the executives, and all members of the Board completed the *e-learning* on the code, which includes a test to assess the training's effectiveness. The percentage that have undersigned the LATAM anticorruption policies and procedures is 98% of the employees and 95.6% of the executives.

The anticorruption procedures apply to all the supplier base. Contracts and purchase orders include information on the matter and the Supplier Code of Conduct that LATAM created in 2019. All 697 suppliers that interact with government bodies on behalf of LATAM (Third-party intermediaries or TPIs), who interacted with LATAM in 2019, countersigned the document.

Moreover, LATAM continues with its *compliance* Ambassadors project, where employees from various areas act as guardians of the program within their units, with the aim to divulge and generate awareness among their colleagues regarding the importance of the matter. In 2019, there were 243 ambassadors in areas such as Airports, Corporate Affairs, Audit, Supplier Management, Infrastructure, Legal Affairs and *Compliance*, LATAM Travel, Marketing, Cargo Operations, Operations and Maintenance, Human Resources, Network and Fleet, Treasury, and Sales.

TRAINING ON THE CODE OF CONDUCT[1] (%) [205-2]



1 Annual percentage of employees who take training on the Code of Conduct in each country of operation. The total includes all employees on extended medical leave.

POLITICAL CONTRIBUTIONS

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

RELATIONS WITH AUTHORITIES [102-40]

In Brazil, the aviation sector is regulated and supervised by the National Civil Aviation Agency (ANAC); in Chile, the main regulating agencies are the General Directorate of Civil Aviation (DGAC) and the Civil Aviation Board (JAC). LATAM also interacts with public bodies and agencies that are not directly related to the activity of aviation, with dialogue and ethics as the guidelines for its relations. All meetings with authorities and regulatory agencies are recorded in a specific platform, monitored by the Compliance department.

[+] For further information on the Regulatory Framework, please refer to the *Appendices*.

Governance structure

[102-18]

The main governance body of LATAM Airlines Group S.A. is the Management Board, which has nine permanent members, elected individually for two-year periods through the cumulative vote system. Each shareholder has one vote per share and may cast all their votes in favor of a single candidate or distribute them among several. This practice ensures that shareholders of 10% of the shares on the market may choose at least one representative.

The current Board was elected in the Ordinary Shareholders' Meeting held on April 25, 2019. Its main duties are to define and follow the Group's strategic guidelines. The Board holds regular monthly meetings and, whenever necessary, extraordinary meetings. In 2019, members' average attendance settled at 92.4%. Of the total 19 ordinary and extraordinary Board meetings held throughout 2019, Nicolás Eblen Hirmas, Eduardo Novoa Castellón, and Patrick Horn García reported attendance in 19 (100.0%), Ignacio Cueto Plaza, Juan José Cueto Plaza, and Sonia Villalobos, in 18 (94.7%); Henri Philippe Reichstul and Carlos Heller Solari, 17 (89.5%); and Giles Agutter 13 (68.4%).

As part of a self-assessment process, the Board members routinely fill out a form on best practices, required by Chile's Financial Market Commission (CMF, for its Spanish acronym).

Moreover, there is a Directors' Committee, comprised by three Board members, that doubles as Audit Committee. This composition meets the requirements of the Chilean Corporations Act (LSA, for its Spanish acronym), the standards of the Sarbanes-Oxley Act, and the guidelines of the US *Securities and Exchange Commission* (SEC).

By December 31, 2019, the members of the Directors' Committee, Eduardo Novoa Castellón, Nicolás Eblen Hirmas, and Patrick Horn García were considered independent, pursuant to article 10A of the US Securities Exchange Act. For purposes of Chile's LSA, which requires that the Board include two independent members, Mr. Nicolás Eblen Hirmas is not considered to be an independent board member.

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

Four large segments comprise the executive sphere: Clients; commercial; operations and fleet; and finance.

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

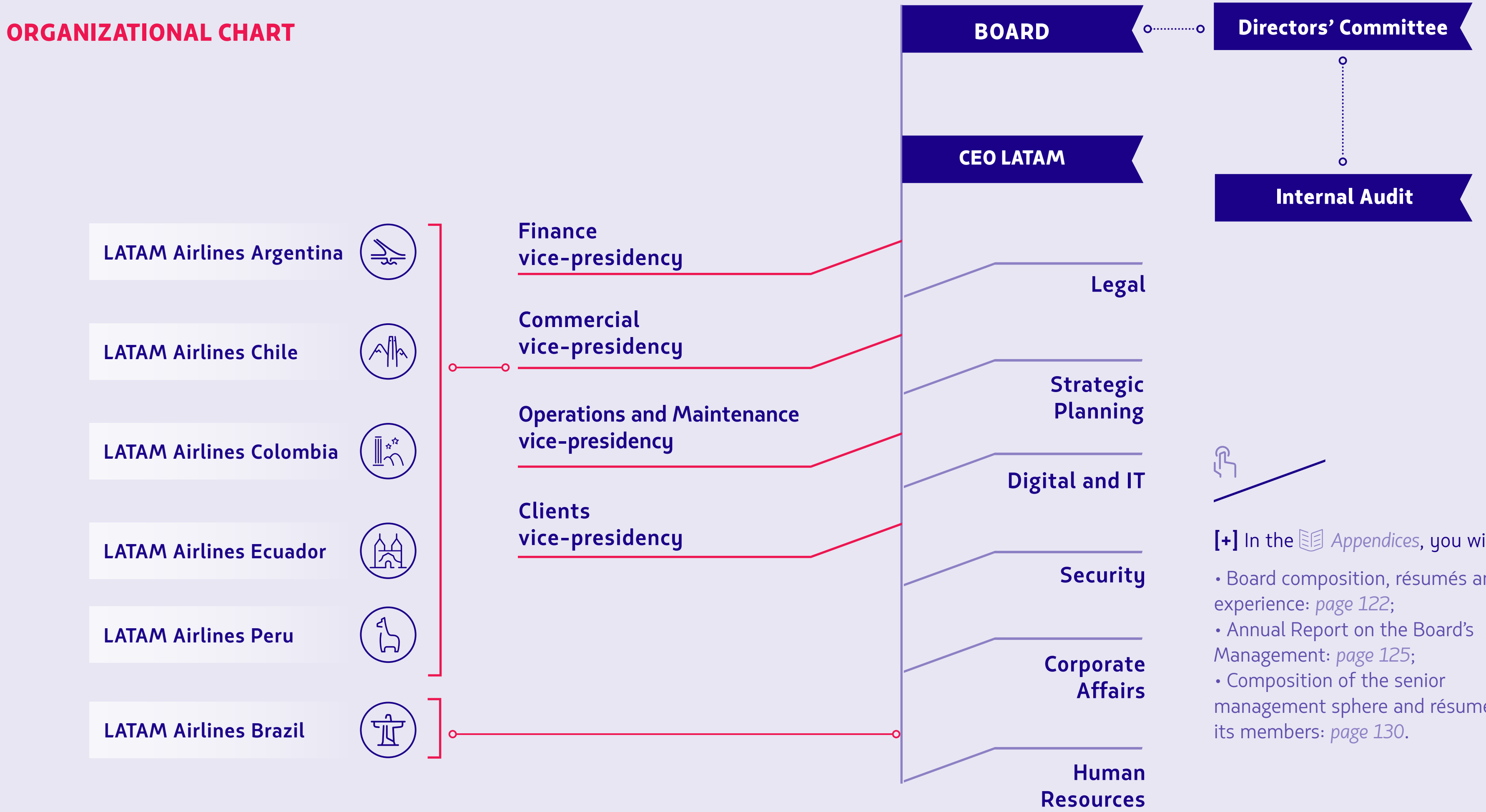
The Group's governance structure also has four committees that assist the Board: Strategy, Leadership, Finance, and Clients. Moreover, as a result of a Board agreement, a Risk Committee was created to supervise the implementation of the risk pillar in LATAM's strategic plan, and particularly, to supervise the Group's risk management and ensure the structuring of a corporate risk matrix and its management.

The **executive sphere** is divided into four large areas: Clients; Operations and Maintenance; Commercial; and Finance, with clearly divided responsibilities to execute and monitor the Group's strategy. To ensure a streamlined decision-making, the executives in charge of these four areas, in addition to the vice-presidents of Legal and Compliance, and Corporate Affairs comprise an Executive Committee that acts together with the LATAM CEO. Holding weekly meetings, the Executive Committee also has the support of the vice-president of Human Resources and the Head of Strategic Planning. Other areas may be invited to the meetings to discuss specific matters.

The Security, Legal Affairs and *Compliance*, Corporate Affairs, Audit, Technology, and Strategic Planning departments are transversal to the whole organization. At each affiliate, there is a CEO in charge of the operation.

On March 13, 2020, after 25 years as Executive Vice-President or *Chief Executive Officer* (CEO), Enrique Cueto will step down from the position. It has been announced that executive Roberto Alvo, who is currently the head of the Commercial Vice-Presidency, will take over as LATAM CEO following a succession process that began in 2018. Chosen unanimously by the Board, Roberto Alvo has 18 years of experience in LATAM, where he has worked, apart from in the Commercial Vice-Presidency, in the Finance, Fleet, and Planning departments. The new CEO participated and contributed to the transformation process that LATAM has undergone in the last few years.

ORGANIZATIONAL CHART



[+] In the *Appendices*, you will find
• Board composition, résumés and experience: *page 122*;
• Annual Report on the Board's Management: *page 125*;
• Composition of the senior management sphere and résumés of its members: *page 130*.

Compensation (US$) – 2019

Name	Position	Board Allowance	Directors' Committee Allowance	Subcommittee Allowance	Total
Ignacio Cueto Plaza	Chairman	42,238.87	-	16,895.54	59,134.41
Carlos Heller Solari	Vice-chairman	21,208.20	-	3,224.35	24,432.55
Eduardo Novoa Castellón	Board member	23,320.31	31,093.75	18,656.25	73,070.30
Giles Agutter	Board member	10,574.56	0.00	5,971.80	16,546.36
Henri Philippe Reichstul	Board member	16,842.44	-	12,202.34	29,044.78
Juan José Cueto Plaza	Board member	19,216.76	-	17,006.80	36,223.56
Nicolas Eblen Hirmas	Board member	23,320.31	31,093.75	18,656.25	73,070.30
Sonia Villalobos	Board member	16,842.44	-	13,473.96	30,316.40
Patrick Reginald Horn García	Board member	16,643.54	22,191.39	11,625.14	50,460.08
Georges Antoine de Bourguignon Covarrubias	Former board member	6,676.77	8,902.36	5,341.41	20,920.53

Compensation (US$) – 2018

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

BOARD COMPENSATION

The value of the considerations reported represents a monthly stipend for the Board and the Directors' Committee, approved in the Ordinary Shareholders' Meeting held on April 24, 2019. During 2019, the Board and Directors' Committee had no additional expenses from counseling services in any sum that should be noted with regard to the Board's annual budget.

EXECUTIVES COMPENSATION

In 2019, LATAM's main executive received a total of US$26,498,537, in addition to US$10,332,268, as profit sharing, in March. Total gross compensation was US$36,830,805.In 2018, US$30,895,695 were paid as compensation and US$16,397,623 as performance incentives to the main executives, totaling US$47,293,318 in total gross compensation.

COMPENSATION PLANS

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

a) Compensation plan 2013 — not valid at the present date

In the General Extraordinary Shareholders' Meeting held on June 11, 2013, the Company's shareholders approved, among other matters, the increase in share capital, whereby 1,500,000 shares were destined to compensation plans for the workers of the Company and its affiliates, pursuant to the provisions of Article 24 of the Chilean Corporations Act. On June 11, 2018, the period for buying such shares, which were not subscribed or paid, expired, thus fully reducing the capital.

b) Compensation plan 2016-2018

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

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

The fair value has been determined based on the best estimate of the Company's shares' future value, multiplied by the number of base units awarded.

By December 31, 2019, and December 31, 2018, the sum recorded was THUS$652 and THUS$7,735, respectively, classified under the line of "Administration expenses" in the Consolidated Balance Sheet by function.

	Base units				
Period	Initial balance	Awarded	Annulled	Exercised	Final balance
From January 1 to December 31, 2018	2,932,896	-	(171,419)	(1,168,700)	1,592,777
From January 1 to December 31, 2019	1,592,777	-	-	-	1,592,777

c) LP2 Compensation plan (2019–2020)

The Company implemented a long-term retention plan for executives, lasting until March 2020, with a vesting period between October 2019 and March 2020, and consisting in an extraordinary bonus whose calculation formula is based on the value variation experienced by the shares of LATAM Airlines Group S.A. during a given period.

This Compensation plan has not been provisioned yet, as the callable stock price stands below the initial target.

d) LP3 Compensation plan (2020–2023)

The company implemented a program for a group of executives, lasting until March 2023, with a vesting period between October 2020 and March 2023, where the collection percentage is annual an cumulative. The methodology is an allocation of a number of units, where a target value is set for the stock.

The bonus is activated if the price target of the stock, defined each year, is met. Should the bonus be accrued, until the last year, the total shall be doubled (if the stock price is activated).

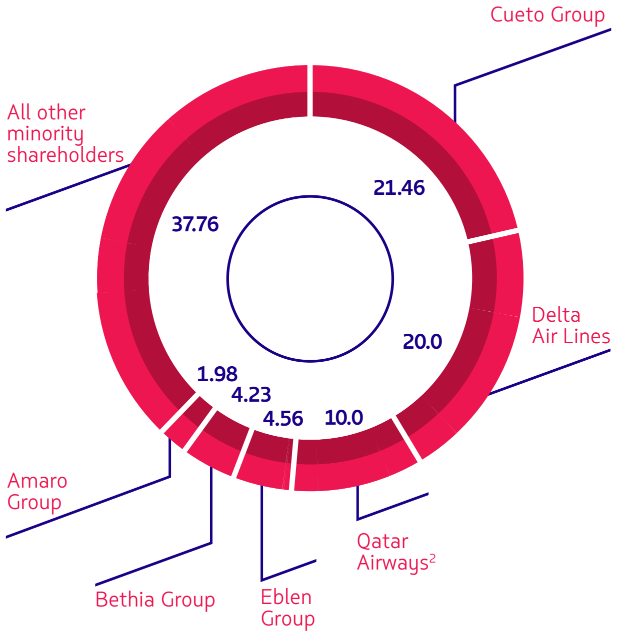
Ownership structure

OWNERSHIP

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

The Company's paid-in capital at December 31, 2019, totaled ThUS$3,146,265 divided among 606,407,693 shares, and ThUS$3,146,265 divided among 606.407.693 shares at December 31, 2018, from the same and only nominative, ordinary series, without par value. There are no special series of shares, nor privileges. The form of the stock certificates, their issuance, exchange, disablement, loss, replacement, and any other circumstance concerning them, as well as the transfer of shares, will be ruled by the provisions included in the Chilean Corporations Act and its Regulations.

Stockholding as at february 29, 2020[1] [102-10]



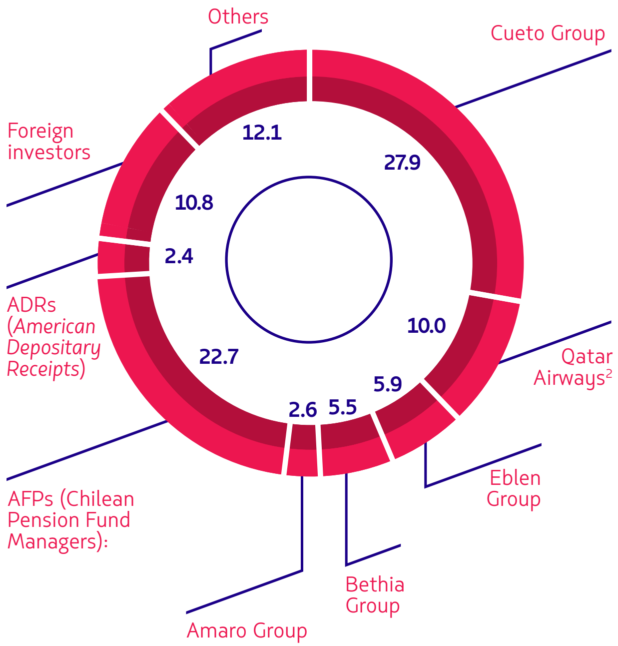
606,407,693
subscribed and paid-in shares

Main shareholders	Total shares	%
Cueto Group	130,165,390	21.46
Delta Air Lines	121,281,538	20.00
Qatar Airways[2]	60,640,768	10.00
Eblen Group	27,644,702	4.56
Bethia Group	25,662,136	4.23
Amaro Group	12,009,257	1.98
All other minority shareholders	229,003,902	37.76
Total	**606,407,693**	**100.00**

1 After the strategic alliance with Delta Air Lines.

2 At that date, Qatar Airways represented 9.9999998% of LATAM's shares issued.

Stockholding as at december 31, 2018 [102-10]



606,407,693
subscribed and paid-in shares

Main shareholders	Total shares	%
Cueto Group	169,248,377	27.9
Qatar Airways[2]	60,640,768	10.0
Eblen Group	35,945,199	5.9
Bethia Group	33,367,357	5.5
Amaro Group	15,615,113	2.6
AFPs	137,618,361	22.7
ADRs	14,827,812	2.4
Foreign investors	65,587,277	10.8
Others	73,557,429	12.1
Total	**606,407,693**	**100.00**

Main shareholders as at December 31, 2019

Name	Subscribed and paid-in shares at 12/31/2018	%
Santander Corredores de Bolsa Limitada	97,716,892	16.1
Costa Verde Aeronáutica S.A.	67,878,651	11.2
Qatar Airways Investments Ltd.[1]	60,640,768	10.0
BCI Corredores de Bolsa S.A.	26,194,579	4.3
J.P. Morgan Chase Bank	25,266,673	4.2
Consorcio Corredores de Bolsa S.A.	24,966,247	4.1
Itaú Corredores de Bolsa Limitada	23,162,008	3.8
Banco Itaú Corpbanca on behalf of foreign investors	21,316,631	3.5
Banco Santander on behalf of foreign investors	21,033,689	3.5
Banchile Corredores de Bolsa S.A.	18,812,790	3.1
Inversiones Nueva Costa Verde Aeronáutica Ltda.	18,133,406	3.0

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

1 Qatar holds 9.9999998% of LATAM's total subscribed and paid-in shares.

Main shareholders as at December 31, 2018

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

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

1 Qatar holds 9.9999998% of LATAM's total subscribed and paid-in shares.

MAJORITY SHAREHOLDERS

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

1. The Cueto Group is the majority shareholder of LATAM, and is comprised by Messrs. Juan Jose Cueto Plaza (one of our board members), Ignacio Cueto Plaza (chairman of the Board), Enrique Cueto Plaza (LATAM CEO), and certain other members of the family. At December 31, 2019, the Cueto Group held 27.91% of LATAM's ordinary shares through the following groups (Chart 1):

CHART 1

RUT	Shareholder	Total shares	%
81.062.300-4	Costa Verde Aeronáutica S.A	67,878,651	11.19
76.592.181-3	Costa Verde Aeronáutica Tres SpA	27,148,493	4.48
76.116.741-3	Inversiones Nueva Costa Verde Aeronáutica Ltda.	18,133,406	2.99
76.213.859-K	Costa Verde Aeronáutica SpA	9,228,949	1.52
76.237.354-8	Inversiones Priesca Dos y Cia. Ltda.	2,744,345	0.45
76.237.329-7	Inversiones Caravia Dos y Cia. Ltda.	2,732,803	0.45
76.237.343-2	Inversiones el Fano Dos y Cia. Ltda.	2,080,000	0.34
76.327.426-8	Inversiones la Espasa Dos y Cia. Ltda.	193,883	0.03
76.809.120-K	Inversiones la Espasa Dos S.A	24,860	0.00
Total Cueto Group		**130,165,390**	**21.46**

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

CHART 2

Shareholder	%
Inversiones Costa Verde Aeronáutica S.A.	77.97
TEP Chile S.A.	21.88
Inversiones Mineras del Cantábrico S.A.	0.00
Inversiones Costa Verde Limitada y CIA en C.P.A.	0.13
Minority Shareholders	0.01

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

CHART 3

Shareholder	%
Inversiones Costa Verde Limitada y CIA en C.P.A.	99.85
Inversiones Costa Verde S.A.	0.13
Inversiones Costa Verde Limitada	0.01

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

CHART 4

Shareholder	%	Main partner	RUT
Inmobiliaria e Inversiones El Fano Limitada	8	Enrique Miguel Cueto Plaza	6.694.239-2
Inmobiliaria e Inversiones Caravia Limitada	8	Juan José Cueto Plaza	6.694.240-6
Inmobiliaria e Inversiones Priesca Limitada	8	Ignacio Javier Cueto Plaza	7.040.324-2
Inmobiliaria e Inversiones La Espasa Limitada	8	Juan José Cueto Plaza	6.694.240-6
Inmobiliaria e Inversiones Puerto Claro Limitada	8	Isidora Cueto Cazes	18.391.071-K
		Felipe Cueto Ruiz-Tagle	20.164.894-7
		María Emilia Cueto Ruiz-Tagle	20.694.332-7
Inmobiliaria e Inversiones Colunga Limitada	30	Details below in item 5.	76.180.199-6
Inversiones del Cantábrico Limitada	30	Details below in item 5.	76.006.936-1

5. With regard to **INMOBILIARIA E INVERSIONES COLUNGA LIMITADA and INVERSIONES DEL CANTÁBRICO LTDA.**, 100% owned by the Cueto Group, and its ultimate shareholders are Messrs. (i) Juan José Cueto Plaza, previously individualized; (ii) Ignacio Javier Cueto Plaza, previously individualized; (iii) Enrique Miguel Cueto Plaza, previously individualized; (iv) María Esperanza Cueto Plaza, RUT 7.040.325-0; (v) Isidora Cueto Cazes, RUT 18.391.071-k; (vi) Felipe Jaime Cueto Ruiz-Tagle, RUT 20.164.894-7; (vii) María Emilia Cueto Ruiz-Tagle, RUT 20.694.332-7; (viii) Andrea Raquel Cueto Ventura, RUT 16.098.115-6; (ix) Daniela Esperanza Cueto Ventura, 16.369.342-9; (x) Valentina Sara Cueto Ventura, RUT 16.369.343-7; (xi) Alejandra Sonia Cueto Ventura, RUT 17.700.406-5; (xii) Francisca María Cueto Ventura, RUT 18.637.286-7; (xiii) Juan José Cueto Ventura, RUT 18.637.287-5; (xiv) Manuela Cueto Sarquis, RUT 19.078.071-6; (xv) Pedro Cueto Sarquis, RUT 19.246.907-4; (xvi) Juan Cueto Sarquis, RUT 19.639.220-3; (xvii) Antonia Cueto Sarquis, RUT 20.826.769-8; (xviii) Fernanda Cueto Délano, RUT 18.395.657-4; (xix) Ignacio Cueto Délano, RUT 19.077.273-k; (xx) Javier Cueto Délano, RUT 20.086.836-; (xxi) Pablo Cueto Délano, RUT 20.086.837-4; (xxii) José Cueto Délano, RUT 20.963.574-7; (xxiii) Nieves Isabel Alcaíno Cueto, RUT 18.636.911-4; (xxiv) María Elisa Alcaíno Cueto, RUT 19.567.835-9; and (xxv) María Esperanza Alcaíno Cueto, RUT 17.701.730-2.

6. The shareholders of **COSTA VERDE AERONÁUTICA TRES SPA** are (Chart 5):

CHART 5

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

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

CHART 6

Shareholder	%	Main partner
Costa Verde Aeronáutica S.A.	99.99	Inversiones Costa Verde Aeronáutica S.A. (77.97%)
Inversiones Costa Verde Aeronáutica S.A.	0.01	Inversiones Costa Verde Limitada y CIA en C.P.A.

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

CHART 7

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

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

CHART 8

Shareholder	%
Ignacio Cueto	88
Others	12

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

CHART 9

Shareholder	%
Juan José Cueto	88
Others	12

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

CHART 10

Shareholder	%
Enrique Cueto	88
Others	12

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

CHART 11

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

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

CHART 12

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

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

Shareholders	Subscribed and paid-in shares	% held of the total
Cueto group[1]	**130,165,390**	**21.46**
Costa Verde Aeronáutica S.A.	67,878,651	11.19
Costa Verde Aeronáutica Tres SpA	27,148,493	4.48
Inversiones Nueva Costa Verde Aeronáutica Ltda.	18,133,406	2.99
Costa Verde Aeronáutica SpA	9,228,949	1.52
Others	10,110,650	1.28
Delta Air Lines	**121,281,538**	**20.00**
Delta Air Lines, Inc.	121,281,538	20.00
Qatar Airways[2]	**60,640,768**	**10.00**
Qatar Airways Investments	60,640,768	10.00
Eblen Group	**27,644,702**	**4.56**
Inversiones Andes SpA	13,187,037	2.17
Inversiones Andes II SpA	6,152,633	1.01
Inversiones Pia SpA	4,155,953	0.69
Comercial las Vertientes SpA	4,149,079	0.68
Bethia Group	**25,662,136**	**4.23**
Axxion S.A.	14,207,454	2.34
Inversiones HS SpA	11,454,682	1.89
Amaro Group [3]	**12,009,257**	**1.98**
TEP Chile	12,009,257	1.98
Other Minority Shareholders	**229,003,902**	**37.76**
Total	**606,407,693**	**100.00**

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

2 Qatar holds 9.9999998% of LATAM's total subscribed and paid-in shares.

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

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

Board Member	Shares (total and % held)
Ignacio Cueto Plaza[1]	130,165,390 (21.46)
Juan José Cueto Plaza[1]	130,165,390 (21.46)
Nicolás Eblen Hirmas[1]	27,644,702 (4.56)
Carlos Heller Solari[1]	25,662,136 (4.230)
Henri Philippe Reuchstul	0 (0.00)
Patrick Horn García	0 (0.00)
Eduardo Novoa Castellón	0 (0.00)
Sonia J.S. Villalobos	0 (0.00)
Giles Agutter	0 (0.00)
Executive	**Shares (total and % held)**
Enrique Cueto Plaza[1]	130,165,390 (21.46)
Roberto Alvo	0 (0.00)
Juan Carlos Menció	0 (0.00)
Hernán Pasman	0 (0.00)
Emilio del Real	0 (0.00)
Ramiro Alfonsín	0 (0.00)
Pablo Miranda	0 (0.00)

1 Juan José Cueto Plaza, Enrique Cueto Plaza, and Ignacio Cueto Plaza are part of the Cueto Group; Nicolás Eblen Hirmas, is part of the Eblen Group, and Carlos Heller Solari, of the Bethia Group. None of them holds the shares mentioned above personally, but rather through the group in which they participate.

[+] The Shareholder Pact is in the *Appendices*

DIVIDENDS

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

On May 16, 2019, the Company paid a total dividend of US$54,580,443.06, charged to the profits from 2018.

INVESTOR RELATIONS

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

Financial policy

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

Moreover, the Finance Committee, comprising the Executive Vice-Presidency and members of LATAM's Board, meets periodically to review and propose to the Board the approval of issues that are not regulated by the Financial Policy. LATAM Airlines Group's Financial Policy aims to achieve the following goals:

• To preserve and maintain suitable cash flow levels to ensure the requirements of the operations, to support growth, and to fulfill the Group's financial obligations.

• To maintain a suitable level of credit lines with local and foreign banks to gain access to additional liquidity to face contingencies.

• To maintain an optimal debt level, diversify financing sources, manage the debt maturity profile, and minimize the cost of financing.

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

• To reduce the effects of market risks, such as variations in fuel prices, exchange rates, and interest rates on the Company's net margin and cash position.

• To reduce counterparty risk through the diversification and limits on investments and transactions with counterparties.

• To maintain, at all times, a long-term visibility of the Company's projected financial situation to anticipate situations of low liquidity, deterioration of the financial ratios agreed with rating agencies, etc.

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

LIQUIDITY AND FINANCIAL INVESTMENT POLICY

During 2019, LATAM Airlines Group maintained adequate liquidity levels, in order to safeguard from potential outside shocks and the volatility and cycles of the industry itself, ending December 2019 with a liquidity ratio of 19.7% over total sales for the last 12 months. This liquidity includes a revolving credit line committed for a total of US$600 million from 12 local and international financial institutions, and which, at the end of the period, was fully available. Moreover, during 2019, a significant part of the *pre-delivery payments*, related to the Boeing and Airbus aircraft that LATAM will receive in the future, was financed with the Company's own resources.

With regard to the Financial Investment Policy, the goal is to centralize investment decisions to optimize profitability, adjusted for currency risk, subject to maintaining suitable security and liquidity levels. Moreover, the aim is to manage risk through the diversification of counterparties, maturities, currencies, and instruments.

FINANCING POLICY

The scope of LATAM's Financing Policy is to cover the Company's financing needs, including the acquisition of fleet assets, such as aircraft and engines, financing non-fleet investments, and financing working capital.

During 2019, the Company had broad access to the international and local capitals markets, issuing debt with the lowest spreads in LATAM's history. In February 2019, the Company issued unsecured bonds on the international market totaling US$600 million with a maturity of 7 years at a rate of 6.875%. On June 6, 2019, LATAM issued on the local Chilean market long-term unsecured bonds worth UF 5,000,000 with a 10-year maturity at a UF coupon rate of 3.60%. The placement rate in UF was 2.73%, equivalent to a sum placed of around US$215 million. Later, in July 2019, the Company held a reopening worth US$200 million on the bond issued in February of the same year, maturing in 2026 at a placement rate of 5.979%.

Moreover, the Company has a committed credit line with a 12-bank consortium for US$600 million that is fully available. This line is subject to the availability of the collateral consisting of aircrafts, spare engines, and overall spare parts.

Most of the recurring investments made by LATAM Airlines Group are related to the fleet acquisition programs. Normally, LATAM finances between 70% and 85% of the value of the assets through bank loans, bonds covered by the export promotion agencies, or covered bonds such as EETC, where the remaining part is funded through commercial loans, capital investments, or the Company's own funds.

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

During 2019, LATAM financed the acquisition of aircraft via a combination of JOLCO structures (Japanese Operating Lease with Call Option), operating leases, and own funds.

As for short-term financing, at December 31, 2019, LATAM held around 5% of its total debt in loans to exporters and importers to finance working capital needs.

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

MARKET RISK POLICY

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

Fuel price risk: Variations in fuel prices depend significantly on oil supply and demand in the world, as well as on the decisions made by the Organization of the Petroleum Exporting Countries (OPEC), the refining capacity worldwide, inventory levels, and the occurrence or absence of climatic phenomena or geopolitical factors. LATAM purchases aircraft fuel, known as Jet Fuel. In order to execute fuel hedges, there is a benchmark index on the international market for this core asset, which is Jet Fuel 54 US Gulf Coast. This index was mainly used by LATAM Airlines Group for its hedges during 2019. LATAM also undertook hedging through NYMEX Heating Oil, whose core index is included in the Fuel Risk Hedging Policy, given the high correlation between this core index and Jet Fuel 54.

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

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

Interest rate risk: Interest rate variations depend largely on the state of the global economy. An improvement in the long-term economic outlook pushes long-term rates upwards, whereas a drop causes a decline due to market effects.

However, considering government intervention, during periods of economic contraction, reference rates are usually cut in order to boost aggregate demand by making credit more affordable and increasing production (just as there are hikes in the reference rates during periods of economic expansion).

The uncertainty surrounding how the market and the governments will behave, and thus, how the interest rate will change, leads to a risk related to LATAM's debt subject to variable interest, its investments, and the new issuances it may make. Interest rate risk on existing debt materializes in the impact on future cash flows related to financial instruments, given the interest rate fluctuations. Thus, a higher interest rate could translate into a higher cash flow from interest payments, and vice versa.

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

In order to reduce the risk from an eventual hike in interest rates, LATAM Airlines Group has interest rate swap contracts. At December 31, 2019, the market value of interest rate derivatives positions totaled US$2.7 million (positive).

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

Exchange rate risks: The functional currency used by the parent Company is the US dollar. There are two types of exchange risks: Cash flow and balance sheet risks. Cash flow risk is a consequence of the net revenue position and costs in currencies other than US dollars. LATAM sells most of its services in US dollars, in prices equivalent to the US dollar and the Brazilian Real. Roughly 57% of revenues are US dollar-denominated, whereas around 30% are denominated in Brazilian Reals. A major part of expenses is denominated in US dollars or equivalent to the USD, particularly fuel costs, aviation taxes, aircraft leases, insurance, and aircraft components and accessories. Compensation expenses are denominated in local currencies. The total percentage of USD-denominated costs is around 63%, while the rough percentage of costs in Brazilian Reals is about 18%.

LATAM Airlines Group does its international cargo and passenger business mostly in US dollars. A share of the fares from the international passenger business is closely correlated to the Euro. In the domestic business, most fares are in local currency without any sort of indexation to the US dollar.

As for the domestic business in Peru and Ecuador, both airfares and sales are in USD. Thereby, LATAM is exposed to the fluctuations in various currencies, but mainly the Brazilian Real. LATAM Airlines Group has hedged against exchange rate risks involving the Brazilian Real mainly through forwards contracts and currency options during 2019. At December 31, 2019, LATAM has hedges for the Brazilian real worth US$15 million for 2020, with a view to establish a lager hedge during the year.

On the other hand, balance sheet risks appear when entries in the balance sheet are exposed to exchange rate fluctuations, given that said entries are expressed in a currency unit other than the functional currency. While LATAM may sign hedging derivatives contracts to protect against the impact of a potential currency appreciation or depreciation vs. the functional currency used by the parent Company, during 2019, LATAM made no hedges against balance sheet risk.

The main mismatch factor is seen in TAM S.A., whose functional currency is the Brazilian Real, and as most of its liabilities are stated in US dollars, even though its assets are stated in local currency.

This imbalance decreased significantly during 2019, thus minimizing this risk. Specifically, the gap between TAM's assets and liabilities decreased to roughly US$100 million, which translates into a decrease of around US$700 million.

SUSTAINABILITY

IN THIS CHAPTER

Together, more sustainable

For LATAM, being sustainable means connecting its passengers and its destinations in all five continents, maintaining a balance between economic development, social progress, and environmental protection, creating value for all its stakeholders. That commitment translates into concrete initiatives, backed by the Group's sustainability strategy, **Together, more sustainable,** which guides the course of business based on an integrated view of the economic, social, and environmental spheres.

The strategy comprises three dimensions:

- **Governance:** the company informs its stakeholders transparently of its commitments and obligations;
- **Climate change:** the company focuses on identifying opportunities and mitigating the current and potential environmental risks and impacts of the operation, focused on managing the carbon footprint;
- **Corporate citizenship:** the company focuses on the development of sustainable tourism and on minding the healthcare needs of the low-income communities.

In its sustainability management, the Group resorts to the concepts of interdependence and cooperation with different groups.

In 2019, for the sixth consecutive year, LATAM Airlines Group was chosen as one of the three most sustainable airlines in the world according to the

LATAM remains committed to generate results with purpose.

World category—the most important one in the Dow Jones Sustainability Index (DJSI). *(More information on page 49.)*

EVERYONE'S COMMITMENT AT LATAM

As with all the fundamental aspects of the business, the Board also supervises the progress made in sustainability. The members receive periodic information on the progress achieved on the initiatives and the performance regarding goals, and they can direct new actions or review the planned course.

The Executive Committee directs the execution of the business strategy. Its work covers the financial and non-financial dimensions transversally across different areas, to enable an expanded vision of risks and opportunities.

Sustainability also has a direct effect on the variable compensation of both the teams and top management. Bonus payments are linked to the achievement of goals on three levels, related to the topics deemed most relevant for the management of sustainability.

The absence of aviation accidents in the period is the goal of the first level, and what defines the payment of variable compensation. The second-level goals are corporate, transversal to the business, whose fulfillment depends on the performance of different areas. These goals may vary based on the area of the employee or executive, and they are linked to security, punctuality, customer satisfaction, organizational climate and commitment, financial performance, and cost efficiency and productivity.

At the third level, the goals are set by each area of operation, and those related to individual performance. Nonetheless, some topics overlap; for instance, workplace security. As of 2018, executives' variable annual compensation in all areas became conditioned to the performance of the Group's occupational injury rate.

The management of sustainability is based on the corporate policy regarding it, in force since 2016.

CLEAR GUIDELINE

LATAM's actions in sustainability are based on the corresponding corporate policy, approved by the Board in 2016. The document gathers the principles that the executives must use as reference in defining and executing the sustainable development strategies and initiatives.

The policy bolsters the transparency of the decision-making processes and the commitment to accountability, as well as collaboration with risk management. The document was drafted following the guidelines included in various external standards, commitments, and principles. The main ones are:

- **Global Compact:** a United Nations Organization (UN) initiative to encourage the adoption of corporate responsibility practices in the fields of human rights, labor rights, the environment, and anti-corruption. LATAM Airlines is part of this initiative, as well as of the Executive Committee.
- **Sustainable Development Goals:** global development agenda promoted by the UN, which defines 17 goals and 169 targets related to the eradication of poverty, food security, health, education, gender equality, reduction of inequality, energy, climate change, sustainable cities, and inclusive economic growth, among other topics.
- **Guiding Principles on Business and Human Rights:** they set a guideline of the parameters and directives to ensure the protection, respect, and redress of human rights in the business world.
- **Global Reporting Initiative (GRI):** international multisectoral organization committed to standardization and ongoing improvement in sustainability management and communication at companies and organizations of different sizes and sectors. Responsible for creating the benchmark sustainability reporting methodology for companies and organizations worldwide.

RELATIONS NETWORK [102-40]
LATAM Airlines' main stakeholders are employees, clients and passengers, suppliers, shareholders and investors, communities, civil society organizations, sectoral organizations, regulating agencies, and public institutions. With all of them, the relationship management, which takes place through different contact and communication channels, and in line with precepts of dialogue and transparency, seeks to boost the commitment to generate and share value. At various times, the Group shares its agenda of strategic topics with those groups, well aware that , with their commitment and support, it is possible to achieve results with a greater impact for society overall.

Seeking a strategic dialogue and the development of the sector, LATAM also holds permanent dialogue with various organizations and is a member of various sector representative agencies. In 2019, the financial contributions to these associations totaled US$1.7 million. Associação Brasileira das Empresas Aéreas (ABEAR), International Air Transport Association (IATA), Asociación de Transporte Aéreo de Colombia (ATAC), and Chile's Sociedad de Fomento Fabril (SOFOFA, for its Spanish acronym) received the largest contributions in the year.

The full list of the associations in which LATAM participates is found in the *Appendices*.

CLIENT PERCEPTION

Early in November, the Group performed a survey among its clients in the six countries where it operates to find out this public's perception of the way in which LATAM manages sustainability. Over 13,600 people answered the survey.

To the questions regarding what sustainability topics LATAM should focus more on, 39% mentioned social responsibility, 30% ethics and anticorruption, and 23% climate change and waste management. Specifically regarding CO_2 emissions generated by the aviation industry's activities, 41% of the participants stated that they are concerned about the emissions generated during their airplane travel.

The survey is one of the initiatives to involve clients in the management of sustainability and lead them to learn more about the management of all the areas of this topic within the Group.

Strategic focus

To enable the identification of the priorities in the management of sustainability, the setting of goals, and monitoring of results, LATAM prioritizes and lists the most relevant topics for the business and its stakeholders. That definition is based on materiality studies, updated periodically to guarantee their alignment to the business strategy and external context.

To determine the most relevant topics, LATAM takes into account the operation's (current and potential) impacts on its different stakeholder groups, these groups' perceptions and expectations, LATAM's vision of the future and its commitments, as well as global trends, and aviation industry and sustainability guidelines. The description of the current materiality process is on *page 108*.

MATERIAL TOPICS [102-47]

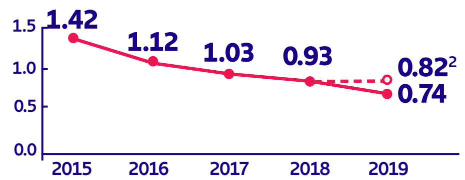
Opportunities | Risks

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

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

2019 Performance and tracking indicators

Work-related injury rate[1]



1 Total injuries/ employee average X 100.
2 2019 target.

0 accidents
Permanent goal: 0

OTHER MONITORED INDICATORS OR ASPECTS

Risk situations identified and mitigated

Ethics and anti-corruption
combating unethical or illegal practices

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

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

2019 Performance and tracking indicators

100% of the operations covered by corruption risk analysis

Training on the Code of Conduct: **97.4%** of employees **95.5%** of the executives

0 cases of corruption

OTHER MONITORED INDICATORS OR ASPECTS

Measures of corruption adopted in confirmed cases of corruption

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

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

Risk: On-time performance affects operating efficiency.

2019 Performance and tracking indicators

On-time performance (%)[1]

1 According to the OTP DEP15 standard, which considers flights with delays of up to 15 minutes.

MATERIAL TOPICS [102-47]

Opportunities | Risks

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

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

Risks: Determines the Company's viability.

2019 Performance and tracking indicators

- Load factor: 83.5%
- 7.1% operating margin (Guidance 2019: 7% to 9%)
- 3.7% ASK growth – Passenger operation (Guidance 2019: 3% to 5%)
- 2.2% ATK decrease – Cargo operation (Guidance 2019: 0% to 2% growth)

NB: The 2020 guidance has been suspended in view of the uncertainty arising from the COVID-19 outbreak. For further information, view *page 58*.

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

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

2019 Performance and tracking indicators

- 37.1 hours of training per employee
- Organizational Health Index (OHI[1]): 74 — 2019 Target: 66
- OHI response rate: 78%
- 88% of the critical positions with identified successor (Means 416 executive positions reporting to vice-presidents)
- Turnover rate: 13.7%

1 Organizational Health Index.

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

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

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

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

Extreme weather events may affect operations.

2019 Performance and tracking indicators

- 1% reduction of the total net carbon footprint compared to 2012.
- 60.6 million gallons of fuel saved — 2019 target: 60.6 million gallons; 2020 target: 68.8 million gallons
- 14% more efficient in fuel use compared to 2012.
- 2% fewer CO_2e emissions per passenger transported.

MATERIAL TOPICS [102-47]

Opportunities | Risks

Material topic	Opportunities	Risks	2019 Performance and tracking indicators
Customer focus efforts to attract and retain customers	A strategy focused on the customer enables the company to closely monitor the evolution of this group's profile, anticipate trends, and innovate the business itself.	Customers' preference is what ensures revenues and business continuity.	**Passenger NPS (Net Promoter Score): 33** Target: 30 **Cargo NPS: 32** Target 26 **Over 30 million members of the LATAM Pass frequent flyer program.**
Developing the destination network to offer greater connectivity to be the best connectivity option in the region	A broad network adapted to the needs and expectations of different customer profiles boosts demand, even among new segments of customers, and generates revenues; in the medium and long term, it bolsters customer relations and contributes to business continuity.	**2019 Performance and tracking indicators** **Opening of 26 new routes.** **Leadership in flight frequency** on 60% of the routes compared to the other airlines operating the same routes. LATAM serves over **80% of the passengers** in the countries where it operates. One out of every three passengers transported by LATAM says that the **quality of its itineraries** is the main reason for flying with the Group.	
Relations with authorities contact with authorities and regulatory bodies in the sector, compliance with laws and regulations	Relations with authorities, regulatory bodies, representative agencies, and other industry agents favor the generation of solutions for common challenges — in the segments of logistics, mobility, and infrastructure, for instance — and benefit companies, the government, and society.	The aviation industry is highly regulated; deviations and breaches may affect or prevent operations.	The main achievements on this topic are not measured using numeric indicators, but they reflect the quality of the strategic dialogue for the sector's development, described on *page 30*.
Sustainable tourism to promote a balance between tourist activities and the preservation of the culture and environment at the destinations	Generating shared value from a topic that is closely related to the business itself offers a unique opportunity for LATAM to put into practice its commitment to South America and create legacies of development for the region. Positive social, economic, and environmental effects strengthen relations with various stakeholders; in the internal sphere, the pride of belonging to a company with a purpose benefits the internal climate and commitment.	**2019 Performance and tracking indicators** **Care for My Destination program 9 active projects and over 10 thousand people impacted** Focal points: • Economic (local development of the communities); • social (education and rescuing the culture); • Environmental (environmental protection). **US$1.33 billion in stimuli for tourism** in Argentina, Brazil, Chile, Colombia, Ecuador, and Peru. (Considering the 4.5 million passengers transported by LATAM and tourists' average spending according to the official tourism and statistics agencies of the six countries).	

DOW JONES SUSTAINABILITY INDEX

With the priority issues defined and the actions guided, LATAM monitors its evolution on each of the sustainability fronts. This monitoring especially considers the Group's performance in the Dow Jones Sustainability Index (DJSI), which has consolidated as the main international benchmark used by investors to assess the sustainability practices and results of large organizations. One of the index's characteristics is to showcase the performance of a company compared to its peers in the same sector.

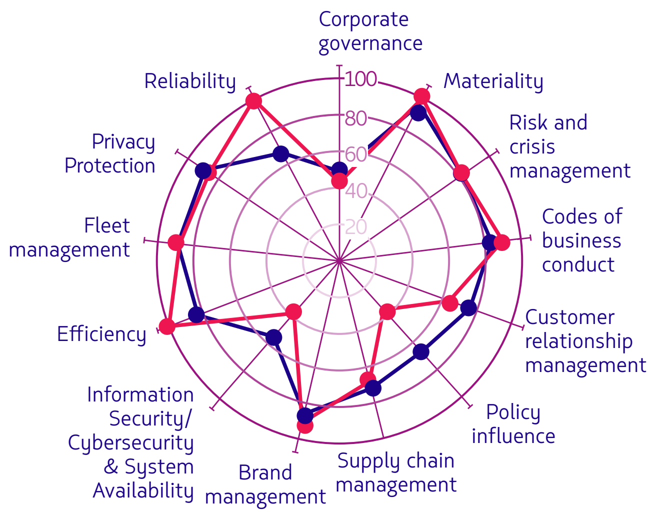
In 2019, for the sixth consecutive year, LATAM Airlines was chosen as one of the three most sustainable airlines in the world, according to said Index, which is comprised by 10% of the companies in Standard & Poor's (S&P) Global Broad Market Index with the best performance in sustainability, and it is based on an independent annual assessment of companies' economic, social, and environmental criteria.

In 2019, the DJSI invited 3,517 companies in 61 industries and 47 countries, which displayed the best financial performance measured by market capitalization in the S&P Global Broad Market Index, to participate in its annual corporate sustainability evaluation. Of the 18 airlines invited, LATAM Airlines Group was the only one in America to qualify for the DJSI's World category. Moreover, the company is the leader of the airline index in the MILA Pacific Alliance (which measures 30% of the companies listed in the S&P with the best performance in Chile, Colombia, Mexico, and Peru) and it is also part of the Chile index.

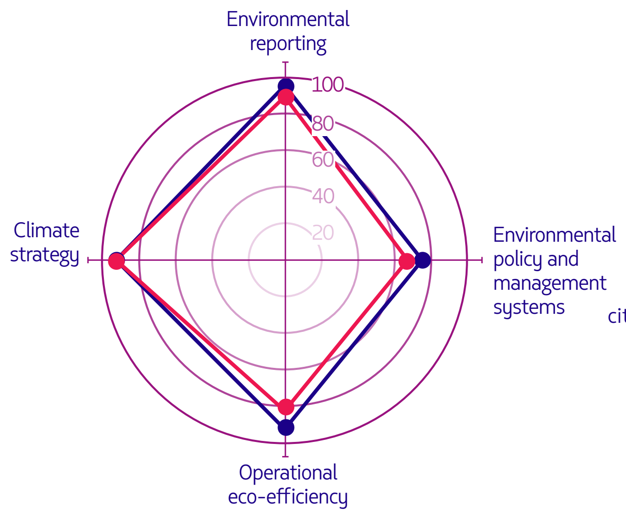
BEST IN CLASS

The methodology adopted by the DJSI is known as *Best in Class,* and analyzes only the performance of the main public companies in the various sectors throughout the year. The evaluation criteria include issues of governance and *compliance* management, customer relations management, and long-term economic and financial, social, and environmental practices. SAM CSA, an investment consulting firm specializing in sustainability, property of S&P Global, is in charge of the analysis, which results in a final list with the leading organizations in the abovementioned issues.

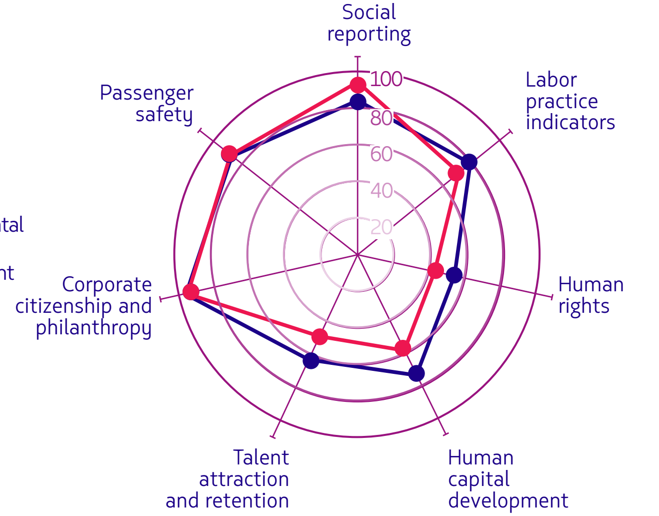
Economic dimension



Environmental dimension



Social dimension



LATAM   Industry average

REGARDING HUMAN RIGHTS

LATAM's understanding of human rights is in line with the United Nations Organization's concept, which sees human rights as inherent to all human beings, whatever the race, gender, nationality, ethnic origin, language, religion, or any other status. The definition considers the right to life, liberty, to be free of slavery or torture, freedom of expression, work, and education, among others.

In addition to running the business based on the precepts of ethics and integrity and adhering to all relevant legislation in the various countries where it operates, LATAM has a clear position on the topic, and seeks to make progress year after year on its efforts to foster the respect for human rights and non-discrimination within and outside the company, as well as to improve the processes of identifying, preventing, and mitigating the risks of human rights violation.

In 2019, the Declaration of Commitment on Human Rights was approved; it systematizes the precepts that the Group has already adopted in its operations and relations, reiterating its stance on the matter and establishing the consequences in case of noncompliance by employees and business partners. Among the principles defined in the declaration are rejection of child labor, bonded labor, and slave labor, and of situations of moral, physical, and sexual harassment; and the commitment to union freedom, to the health and safety of the Group's professionals, and to fair compensation and adequate work conditions for all employees, regardless of gender, race, age, sexual preference, and nationality, among others.

As part of the management of human rights, LATAM approved in 2019 the Compensations Policy, which bolstered the Group's commitment regarding salary equality.

The parameters of this document are the main international standards on human rights, such as the Universal Declaration of Human Rights, the United Nations Charter, and the Fundamental Principles and Rights at Work of the World Trade Organization (WTO).

Simultaneously with the creation and release of the declaration, LATAM drafted a risk matrix specifically on human rights, which enables the identification, quantification, and prioritization of risks, as well as the adoption of mitigation measures.

LATAM Peru was the first affiliate to complete the risk analysis, using that matrix, which classified the risks into four levels, based on the degree of impact and likelihood of incidence: low, medium,

PRESENCE IN OTHER INDICES

For the first time, the company is part of the series of the Financial Times Stock Exchange (FTSE) indices of the London exchange. This sustainability index was created in 2001, with the collaboration of the United Nations International Children's Emergency Fund (UNICEF) and Ethical Investment Research Service (EIRIS).

To select the companies that are part of this index, roughly 300 indicators grouped around 14 topics are assessed, which measure companies' performance in environmental, social, and governance issues (ASG).

The FTSE4Good indices are used by a wide range of market participants to create and advise responsible mutual funds and other products.

The Group also has a specific risk matrix regarding human rights; LATAM Peru was the first affiliate to complete its assessment based on the matrix.

high, and very high. For the risks identified, action plans were defined, including, among others: annual monitoring of compliance with the Group's salary equality guidelines, revision of the processes to ensure impartiality and prevent discrimination in selecting suppliers, drafting a specific policy on sexual harassment in LATAM Peru, activation of a committee on the issue, and sharing information among the teams and executives.

Gradually, the Group's other operations performed their analysis, using the risk matrix as the base, which will enable LATAM to improve its management of this issue.

Ensuring that its suppliers also respect human rights is an ongoing concern for the Group. In addition to the declaration, the topic is specified in the Code of Conduct for Suppliers, launched in 2019, the LATAM Code of Conduct, and in other internal policies and standards. As part of a preventive management, the analyses of suppliers to identify sustainability risks include issues of human rights, decent work, and ethical conduct (*read more on page 66*).

Alignment with the SDG

Since its launch in 2015, LATAM supports the United Nations' (UN) global agenda on Sustainable Development Goals (SDG), and seeks to contribute to the achievement of the goals established in the commitment. The agenda has established the year 2030 as the deadline to comply with the 169 goals.

In 2019, LATAM held a new assessment of the 17 SDGs and their 169 targets, renewing the topics on which the Group will focus its efforts in the next few years. Of the 17 goals, seven are more directly linked to the nature of LATAM's operation and activity, as these are the goals to which the Group can contribute most effectively, given that it already has the corresponding commitments and initiatives. These are: affordable and clean energy; decent work and economic growth; industry, innovation, and infrastructure; responsible consumption and production; climate action; and life on land.

HOW LATAM CONTRIBUTES TO THE SDGS

	Goal for 2030[1]	LATAM initiative
7 AFFORDABLE AND CLEAN ENERGY	**7.2** To increase the share of renewable energy within the global energy grid	• Support for fuels with lower environmental impact, such as biofuels (*page 82*) • Shift to renewable energy in the maintenance base and headquarters building, in Chile (*page 85*)
8 DECENT WORK AND ECONOMIC GROWTH	**8.3** Support the productive activities, creation of decent work, and enterprising and innovation, as well as foster the formalization and growth of micro, small, and medium companies	• Care for My Destination program, which promotes education aimed towards sustainable development, including topics such as enterprising and preservation of the cultural and natural heritage (*page 101*)
	8.4 Improve the efficiency of global resources and decouple economic growth from environmental degradation	• Sustainability strategy linked to the business strategy, which envisions an integrated growth on the economic, social, and environmental fronts (*page 101*)
	8.5 Achieve full and productive employment and decent work for all and equal remuneration	• Decent work practices and commitment to salary equality (*page 43*)
	8.6 To reduce the number of young people who are unemployed and not studying or taking any training	• Care for My Destination program
	8.7 To eradicate bonded labor, contemporary slavery, and human trafficking, as well as to eliminate the worst forms of child labor	• Diagnosis on the risks and opportunities related to topics of diversity and human rights in the context of the organization and in its relations with the value chain (*page 50*) • Commitment explained in the company's Code of Conduct, in the Code of Conduct for Suppliers, and in the supplier management requirements and systems (*pages 28* and *68*)
	8.8 To protect labor rights and foster safe work environments	• Labor security as one of the focal points of security management (*page 94*)
	8.9 To promote sustainable tourism that creates jobs and promotes local culture and products	• Care for My Destination program

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

HOW LATAM CONTRIBUTES TO THE SDGS

	GOAL FOR 2030[1]	LATAM initiative
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**9.1** To develop infrastructure to foster economic development and human wellbeing (equal and affordable access for all)	• Destination network focused on connectivity (*pages 12 and 13*) • Sales model and rates adjusted to different customer profiles (*page 70*)
	9.2 To foster inclusive and sustainable industrialization, increasing the industry's contribution to employment and GDP	• Contribution to the creation of employment and GDP growth in the countries where it is present (*page 100*)
	9.3 To increase access for small industrial companies and other companies to financial services (affordable credit and integration into value chains and markets)	• Training and development for local entrepreneurs (Care for My Destination program), contributing to their integration into the markets (*page 101*)
	9.4 To modernize infrastructure and make industries sustainable (more efficient and with clean technologies and industrial processes)	• Fuel efficiency, with a reduction in the operation's environmental impacts (*page 80*)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2** Sustainable management and efficient use of natural resources **12.4** Chemical product and waste management throughout their lifecycle **12.5** Reduce waste generation	• Fuel use efficiency; rational use of water and energy; reduction and offsetting of greenhouse gas emissions; reduction and responsible waste management, including innovative initiatives of on-board recycling and elimination of single-use plastics (*page 75*)

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

HOW LATAM CONTRIBUTES TO THE SDGS

	GOAL FOR 2030[1]	LATAM initiative
13 CLIMATE ACTION	**13.1** Resilience and ability to adapt to climate change	· Identifying related risks and opportunities (*page 79*) · Sustainability Policy and Strategy defined (*page 43*) · Clear commitment to sectoral initiatives (*pages 76* and *84*) · Efficient use of jet fuel (*page 80*) · Offsetting of greenhouse gas emissions (*page 83*) · Environmental awareness — Care for My Destination program (*page 101*) · Solidary Plane Catastrophe (*page 104*)
	13.2 To incorporate measures related to climate change into national policies, strategies, and plans	
	13.3 Education, sensitization, and human and institutional capacity regarding climate change	
15 LIFE ON LAND	**15.1** Conservation, restoration, and sustainable use of terrestrial and freshwater ecosystems	· Carbon offset projects (*page 83*) · The environmental pillar is one of the axes of the Care for My Destination program, with actions that aim to preserve and restore the natural resources for future generations. Some projects focus on the conservation of natural and biological reserves, and include actions to prevent the extinction of threatened species (*page 101*)
	15.2 Sustainable management of all types of forests, halt deforestation, and restore degraded forests	
	15.4 Conservation of mountain ecosystems, including their biodiversity	
	15.5 Reduce the degradation of natural habitats, halt the loss of biodiversity; protect and prevent the extinction of threatened species	

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

OUR BUSINESS

IN THIS CHAPTER

Industry context

Economic activity growth in 2019 was mainly affected by the tensions in foreign trade and by the decreases in economic activity within emerging markets, such as the case of India. On the plus side, it is worth noting the positive impact of more expansionary monetary policies on growth, which have been adopted transversally by the various authorities, the positive news regarding trade negotiations between the US and China, and the decrease in fears surrounding Brexit.

On the other hand, revenues from the global aviation industry showed a good overall performance during 2019, driven by growth in demand (4.2% measured in RPK), despite being a slower rate than in the previous year (7.4%), and aided by a 0.7 percentage-point rise in the load factor, reaching a new record high of 82.6%.

These results are in contrast with the increase in industry costs, mainly in fuel. Thus, the global industry's operating profit is estimated at US$42.5 billion (below the US$45.9 billion achieved in 2018), whereas net profit is estimated to have reached US$25.9 billion (below the US$27.3 billion reported in 2018).

As for the various geographic markets, US airlines showed the best results in terms of profitability, despite having more moderate growth and a slower economic environment, as well as a more deteriorated business environment than in the previous year. Nonetheless, carriers benefited from their capacity discipline, managing to increase their load factor to 84.9%.

In Europe, international growth experienced a slowdown vs. the previous year (4.4% vs. 7.5% in 2018), as a result of the economic slowdown in the region, industrial problems (strikes), the uncertainty regarding Brexit, and the collapse of several airlines.

Demand in Asia-Pacific was strongly affected, mainly by the trade tensions between China and the US, and by the weakening of the economic environment, growing 4.5% (compared to 8.5% in 2018).

In Latin America, passenger traffic grew 4.2% YOY (*year over year*), in line with the global market in 2019. The protests held throughout the region and the economic turmoil in various countries led to a slowdown in international traffic for Latin American carriers. Total traffic in the region grew at a more moderate pace than in the previous year, increasing by 4.2% , and showing a 1 percentage-point improvement in the load factor, to settle at 82.6%. The airlines in the region showed varying results throughout 2019, marking the year with a loss of US$400 million, compared to the US$800 million loss from a year earlier.

Given the industry's current structure, the International Air Transport Association (IATA) expects better net profits for the world's aviation industry in 2020, which should settle around US$29.3 billion, with an operating margin of 5.5%. This improvement is explained by a stabilization of growth in demand at around 4.1%, as a result of a more stable global economy and an increase in global growth. Moreover, with regard to costs, they are expected to increase at a slower pace than in previous years, mainly due to a decline in fuel prices, partly countered by a rise in fuel consumption.

Last, the emerging economies, namely Asia-Pacific, the Middle East, and Latin America, are expected to remain as the growth engines of global traffic over the next 20 years.

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

CHALLENGES OF THE INDUSTRY IN THE REGION
Commercial aviation has consolidated as a key element in the current global economic system, given its role in the growth of foreign trade and investment, the development of tourism, and people's connectivity across all the continents. Flying has become a more commonplace form of transportation, and it has even come to compete with ground transportation on domestic routes. The availability and integration of technology in the processes, passengers' ability to manage their own flights, and airlines' efforts to transfer to passengers all cost efficiencies to reduce airfares have contributed to make Latin America one of the regions with the highest growth potential for aviation in the world. According to IATA estimates, air traffic will double in the region by 2035.

In this context, the aviation industry faces great challenges that call for a public-private effort to boost airlines' growth and deliver a better travel experience.

The existence of a governmental leadership that coordinates the challenges of the aviation industry and contributes to a reduction in the total cost of traveling—such as efficient public transportation to connect cities and airports—more passenger-friendly terminals, with technology to streamline the processes, and an airport model focused on passengers' travel experience, are some of the great challenges that LATAM as an industry must continue to tackle in the region.

To contribute to the achievements, LATAM takes part and drives the main discussions affecting the sector by participating in various forums and entrepreneurial organizations. One of the main focuses is airport infrastructure. In 2019, the Santiago airport (Chile), where one of LATAM's *hubs* lies, made significant deliveries in its expansion works. It is expected that, by mid-2020, the Lima airport will complete the tender on its new works, which will enable it to double capacity over the next 20 years. As for the airports of Argentina, Colombia, and Peru, work is being done jointly with the Authorities to solve the capacity problems. At the airports undergoing expansions, LATAM is in talks with the concessionaires and relevant authorities to ensure that the works cause passengers the least disturbance possible.

Other relevant issues for the industry regard the necessary infrastructure to guarantee passengers easy access to airports, which are normally far from urban centers, and other costs that make travel more expensive.

In Brazil, issues related to jet fuel prices or certain limitations that do not allow the aviation industry to develop as aggressively as in other countries in the region. In early 2019, the São Paulo government cut to less than half (from 25% to 12%) the tax on jet fuel.

In Argentina, LATAM made a significant achievement in the year. The relevant authorities approved the *interchange*, which allowed the Group the shared use of fleet from Chile to make its operations in the former country more efficient.

LATAM also monitors regulatory discussions on environmental topics, where Colombia has been a leader in these types of initiatives on a regional level (*see more on page 83*).

Financial results

During 2019, LATAM proved that it is the best-positioned airline group in Latin America to capitalize on the region's potential growth. Despite the challenging market conditions caused by the devaluation of local currencies and the social uprisings in the region, the group transported 74 million passengers in the year—a 5.4 million increase compared to the previous year. No other group in the region has grown as much in the number of passengers transported as LATAM.

In 2019, LATAM launched 26 new routes, strengthening the group's connectivity at its main hubs of Sao Paulo, Lima, and Santiago. In turn, it launched the direct flight between Santiago and Sidney, as well as a new destination—Montego Bay, Jamaica—which connects directly with Lima through LATAM Airlines Peru. LATAM Airlines Brazil launched 12 new domestic routes, mainly from Guarulhos (Sao Paulo) and Santos Dumont (Río de Janeiro).

The focus we have given to operating excellence has positioned LATAM as the most punctual airline group in the world. Moreover, our commitment to our passengers to be their preferred airline is also supported by an efficient cost structure. In 2019, we maintained our CASK ex-fuel at USc4.5, ranking among the most efficient airlines in the region. As a result of the cost initiatives that LATAM has implemented in the last four years, it has reduced the combined unit costs in its Spanish-speaking countries to under 4 cents[1] during 2019.

LATAM has never invested more in its passengers as it did in 2019, and it plans to continue along that line. We made progress in the implementation of strategic initiatives that continue to improve our passengers' experience. Following the acquisition of Multiplus by LATAM Airlines Brazil, the frequent flyer program was relaunched under the single brand LATAM Pass, consolidating the clients of LATAM Pass, LATAM Fidelidade, and Multiplus. LATAM and its affiliates operate 67 airplanes with the new cabins, especially designed to offer a first-rate experience in the industry, with more options, flexibility, and customization, to serve passengers' different needs. We expect to complete the first stage of the cabin renovation in 2020, which translates into over 170 airplanes. In March 2020, we also launched the new Premium Economy service for our flights operated with narrow-body aircraft, on domestic and international operations. We also became the first airline in the region to offer Premium services on all its flights. These new cabins offer a Premium service both at the airport and on-board, including priority check-in and boarding, a differentiated in-flight experience, and blocked middle seat, providing more space and privacy. With regard to the airport experience, the new VIP lounges were opened in Miami, and a self bag drop system was implemented at the London, Quito, Brasilia, Guarulhos, Congonhas, and Bogota airports.

As a result, our passengers have acknowledged us with different awards, such as the "Best Airline in South America" in the Skytrax World Airline Awards, and the "Best Global Airline in South America", according to APEX Passenger Choice awards, among others.

Our commitment to sustainability has also been acknowledged in 2019. For the sixth consecutive year, the LATAM Airlines Group was listed in the 'World' category of the Dow Jones Sustainability Index (DJSI) — an acknowledgment of the company's commitment to incorporate sustainable practices into every aspect of its operations. Today, LATAM is the only airline in America with presence in this group, and one of the three airlines in the region in the category.

Moreover, the agreement with Delta is an acknowledgement of LATAM's footprint in the region, and we are excited about the benefits that this strategic alliance can bring to our shareholders, clients, and employees. In addition to Delta's acquisition of 20% ownership in LATAM, the LATAM affiliates in Colombia, Peru, and Ecuador implemented codeshare agreements with Delta, the affiliates in Brazil have announced a codeshare agreement that will become operational during the second half of 2020, and they expect our affiliate in Chile to announce its codeshare agreements during the first half of 2020, subject to the applicable regulatory approvals. Last, since February 1, 2020, LATAM transferred its operations at the JFK international airport (New York) from terminal 8 to terminal 4, where Delta connects with over 90 destinations in the US, Canada, and the world, strengthening LATAM's network with more destinations.

1 Considering an average route length of 1,000 km.

TREND INFORMATION

On March 12, 2020, LATAM Airlines announced the suspension of its guidance for 2020 in light of the uncertainty due to the COVID-19 (coronavirus) outbreak that is affecting the demand for air traffic. As of this date, it is not possible to quantify the exact impact on demand or how long it may take to recover, making it impossible to estimate results for the full year.

LATAM is taking immediate measures to minimize possible effects of the current scenario, including cost reduction and capacity adjustments. Along these lines, and in addition to the significant efforts being made by LATAM to protect the health and safety of its passengers and workers, the LATAM group announces a decrease in capacity of approximately 30% of international operations for April and May 2020.

On March 16, 2020, LATAM Airlines and its affiliates updated the decrease in capacity to approximately 70% of total operations, corresponding 90% to international operations and 40% to domestic operations.

At this time, LATAM is not able to fully determine the impact on financial results in light of the expected lower demand on air travel as a result of the impact of the spread of coronavirus (COVID-19) on demand for air travel in the regions where the Group operates.

Direct economic value generated and distributed (thousands of US$) – 2019 [201-1]	
Revenues	10,430,927
Goods acquired from third parties	(6,424,468)
Gross economic value	(4,006,459
Retentions	(1,469,976)
Net economic value	2,536,483
Economic value received in transfer	26,283
Economic value generated	2,562,766
Economic value distributed	(2,429,465)
Distribution of economic value	
Wages and Benefits	(1,794,762)
Taxes and contributions	53,697
Capital suppliers	(625,969)
Interest on own capital and dividends	(57,129)
Minority interest	(5,183)
Community investments	(119)
Retained economic value	133,301

SNAPSHOT

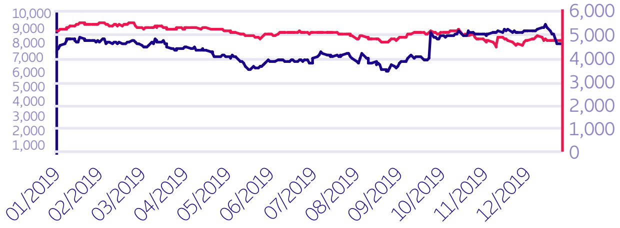
Main indicators [102-7]	2017[1]	2018[1]	2019
Financial (US$ thousand)			
Operating income	10,163,796	10,368,214	10,430,927
Operating expenses	(9,291,672)	(9,663,095)	(9,689,325)
Operating result	872,124	886,984	741,602
Operating Margin	8.6%	8.8%	7.1%
Net Profit	155,304	181,935	190,430
Net Margin	1.5%	1.8%	1.8%
EBITDA	2,295,710	2,259,612	2,211,578
EBITDA Margin	22.1%	21.8%	21.2%
Cash and cash equivalents[2]/revenues last 12 months	15.9%	19.3%	19.7%
Financial Leverage[3]	4.2x	3.9x	4.0x
Operations			
Passenger Operations			
Capacity (ASK) — million	136,398	143,265	149,116
Consolidated traffic (RPK) — million	115,693	119,077	124,521
Load factor (ASK)	84.8%	83.1%	83.5%
Revenue/ASK (US$ cents)	6.2	6.1	6.5
Total PAX transported (thousands)	67,146	68,806	74,189
Cargo Operations			
Capacity (ATK) — million	6,230	6,498	6,357
Consolidated traffic (RTK) — million	3,421	3,583	3,526
Load factor (ATK)	54.9%	55.1%	55.5%
Revenue/ATK (US$ cents)	18.0	18.3	17.1
Tons transported (thousands)	896	921	903.8

1 2017 and 2018 values have been restated in observance of the 2016 International Financial Reporting Standards (IFRS).
2 Includes the revolving credit line.
3 Adjusted net debt/EBITDAR (last 12 months).

Stock information

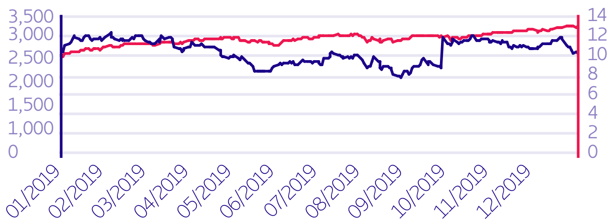
During 2019, the local shares of LATAM Airlines Group showed a positive performance of 8.8%; however, the ADR's profitability retreated 1.4%. At December 31, 2019, the Company's market capitalization was over US$6.16 billion. During 2019, the shares of LATAM Airlines Group showed greater profitability than the IPSA, whose profitability was a negative 8.5% in the period. As for the stock's movement in the Santiago Stock Exchange, in 2019, the shares of LATAM Airlines Group showed 100% market presence.

Local share – 2019



Local share (CLP)
IPSA Index

ADR – 2019



Local share (CLP)
ADR (USD)

Volumes traded by quarter — local stock (Santiago stock exchange)

2017	N° of shares traded	Average price (CLP	Total value (CLP)
First quarter	43,655,851	6,655	284,991,986,800
Second quarter	30,259,560	8,035	240,451,798,500
Third quarter	29,094,196	7,965	234,898,104,000
Fourth quarter	37,823,823	8,498	320,108,505,000
2018			
First quarter	31,387,363	9,133	286,645,092,598
Second quarter	47,657,233	6,479	308,773,595,469
Third quarter	32,942,547	6,277	206,770,484,755
Fourth quarter	38,440,069	6,923	266,120,597,687
2019			
First quarter	32,965,280	7,188	236,937,950,000
Second quarter	33,434,829	6,363	212,745,816,927
Third quarter	37,189,070	8,100	301,229,607,547
Fourth quarter	40,815,798	7,523	307,036,840,455

Volumes traded by quarter — ADR (NYSE)

2017	N° of shares traded	Average price (CLP)	Total value (CLP)
First quarter	24,889,893	10.1	254,166,511
Second quarter	32,015,881	12.1	384,720,373
Third quarter	27,902,087	12.4	347,933,436
Fourth quarter	33,450,067	13.4	446,780,362
2018			
First quarter	24,359,603	15.4	374,894,290
Second quarter	41,119,176	9.9	406,463,055
Third quarter	28,539,124	9.4	268,125,070
Fourth quarter	30,770,709	10.3	316,784,449
2019			
First quarter	21,566,401	10.6	227,956,859
Second quarter	20,334,080	9.4	190,428,659
Third quarter	32,276,337	11.1	358,590,104
Fourth quarter	51,223,880	10.2	520,178,501

Risk management

LATAM's Corporate Risk Policy defines the main aspects to be monitored, the mitigation instruments, action plans, and the roles and responsibilities of those involved in its management.

In 2019, the process was bolstered with meetings with each vice-presidency to incorporate the management of the issue in executives' decision-making process. The risks discussed and directly monitored by each vice-presidency are included in the Risk Board, comprised by various areas, and which is one of the main bodies for managing the issue in LATAM, with a transversal vision of the different businesses. The reports it releases feed the reports submitted to the Directors' Committee (comprised by three board members and acting as Audit Committee) and all other support committees of the Board and the Executive Committee.

In the main affiliates, risk management follows the same standards and tools, even if the focus is on local specificities. The report is submitted both to the corporate Risk Management area and to the country CEO.

Constantly updated, the most recent risk matrix contained 53 transversal and emerging risks. The matrix considers the likelihood that a given risk will materialize and its potential impact on the operation. The 53 risks are divided into 14 categories, including financial, environmental, operational, security, and regulatory issues, among others. Moreover, it has specific hues that concentrate the risks in given areas of the business, such as, for instance, Security, Procurement, and Compliance.

The Internal Audit area also supports the risk management activities, including those topics identified as relevant in its monitoring processes.

[+] The full list of the main risk factors is in the *Appendices*.

EMERGING RISKS

Among the risks that LATAM considers as emerging, we find:

• **Cyber security:** this risk considers attacks that can affect the Group's operating capacity, or that could imply access to confidential information on LATAM and its clients. To manage the risk of cyber security, LATAM has a specific internal program, subject to periodic updates. In the Group's executive structure, there is a CISO (Chief Information Security Officer), responsible for heading the Technological Risks management. A multidisciplinary support committee is also active (further information ahead), which focuses on cybersecurity, IT risks, and other related topics, as well as an employee awareness program, protection tools, and ongoing monitoring of threats. In addition, there is a series of internal standards, such as the Information Security Policy, the Information Classification Policy, the Data Protection Standard, and the PCI LATAM Security Standard, a requirement to obtain the international certification PCI *DSS* Compliance, which regulates issues regarding the protection of consumers' credit and debit card information. Moreover, as cybercriminals become more sophisticated, the cost of proactive and reactive mitigators may increase as risk assessment becomes more unpredictable and given the hardening of the regulatory environment.

• **Dependence on suppliers:** depending on third parties for essential services is always a risk for any company. The issue becomes even more relevant at LATAM, when considering the speed at which the Group has been incorporating third-party suppliers in key services and operations, and its capacity to implement the necessary changes in policies and procedures to adequately manage the issue and ensure that the activities meet LATAM's quality and reliability requirements.

INFORMATION SECURITY

A breach of the confidentiality of clients' data implies a serious reputational risk for the Group. Committed to the issue, LATAM implements a series of mitigation measures. The Code of Conduct, for instance, includes a specific topic on privacy, confidential information, and insider trading. It also has Information Security and *Information Privacy and Security* Classification policies, the latter of which is also available on the corporate website. The standards for Managing Information Security Incidents and LATAM PCI Security complement the guidelines, structured in 2018 as part of the process required to obtain the PCI *Compliance* international certification regarding consumer credit and debit card data protection. LATAM obtained the PCI DSS certification in August 2019, and periodic checks are carried out to maintain this certification in time.

Employees have access to said documents on the corporate website. Awareness and communication campaigns and e-learning trainings are also held frequently; in 2019, over 20 awareness campaigns were held on the matter, and over 35,000 employees and external collaborators received training. The Technological Risks Management is available to answer any questions the team may have.

This department is responsible for the activities of a committee devoted to the issue, and is comprised by professionals from the Risk Management, Legal Affairs and *Compliance*, Investor Relations, and Technology areas, among others. The committee met 12 times in 2019. Management also submits periodic reports to other administrative bodies, and is responsible for permanently monitoring the issue, as well as for structuring contingency plans. In the last three years, LATAM registered no significant security breaches regarding its customers' information.

ADDITIONAL INFORMATION

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

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

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

· **Customers:** None of LATAM's clients individually represents over 10% of its sales.

· **Suppliers:** In 2019, seven suppliers individually represented over 10% of their category: Orbital (airport), Gate Gourmet (supply and catering), CAE (*marketing*), Google Inc. (employee services), Kuehne Nagel (transportation), Unilode Aviation (administration), and Everfit S.A. (uniforms).

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

Investment plan

Fleet commitments for 2020 and 2021 total US$408 million and US$773 million, respectively. Since early 2019, fleet commitments for 2020-2022 were reduced by US$1.1 billion, 4 Subject to availability of collateral 1Q20 2Q20 3Q20 4Q20 Hedging positions Estimated fuel consumption 65% 81% 49% 48% 7 including the A350 assigned to Delta and other adjustments to planned narrow-body aircraft arrivals. The company is constantly working on adjusting its fleet to the current demand scenario, in order to optimize its utilization, and thus, its usefulness.

At december 31	2019	2020E	2021E	2022E
Passenger fleet				
Short-haul	245	246	250	260
Long-haul	75	77	77	77
Cargo fleet	11	11	11	11
Total fleet in operation	**331**	**334**	**338**	**348**
Subleases				
Airbus A320-200	5	5	5	5
Airbus A350-900	5	1	-	-
Boeing 767-300F	1	1	1	1
Total subleases	**11**	**7**	**6**	**6**
Total fleet	**342**	**341**	**344**	**354**
Fleet commitments (US$ million)	**1,197**	**408**	**773**	**574**

SUPPLIERS

IN THIS CHAPTER

Business allies

[102-9]

The excellence of the products and services acquired, regular supply, reliability in deadlines, and competitive prices are priority issues for LATAM in its relations with suppliers. The strategy based on these matters enables the Group to manage risk factors of the business, contribute to the advance of its business partners, and drive the economic and socioenvironmental development of the regions where it operates.

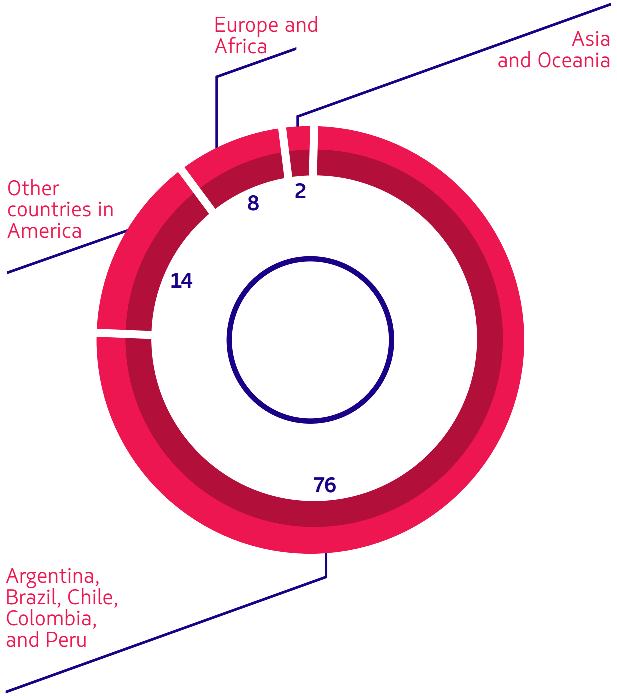
In 2019, the supplier network comprised 15.3 thousand suppliers with different sizes, in various segments and countries; most of them were based in South America, where LATAM operates. Of the total suppliers, 13% are deemed critical and represent 41% of the Group's revenue volume, which totaled US$9,203,565,892. The critical supplier classification includes those that are difficult to replace and those whose interruption in supply could affect operations.

To ensure a closer relation that will be more focused on the specificities of the various sectors where suppliers operate, management is segmented into technical purchases (products and services directly related to the business operations), and non-technical purchases (linked to intermediate activities), encompassing 21 product and service categories.

Technical purchases include suppliers of fuels; fleet and engines; engineering services; consumables and spare parts; PMA (Part Manufacturer Approval); wheels, brakes, tires and avionics; in-flight entertainment; seats, materials, and trim; sales; larger components, such as landing gear; *pool* (repair, exchange, and rental of certain components made available via a *pool* of suppliers); and non-*pool* purchases (tools and other types of components).

Non-technical purchases include suppliers of airports; administration; supply and *catering*; infrastructure; hotels and uniforms; *marketing*; professional services; technology and systems; and transportation.

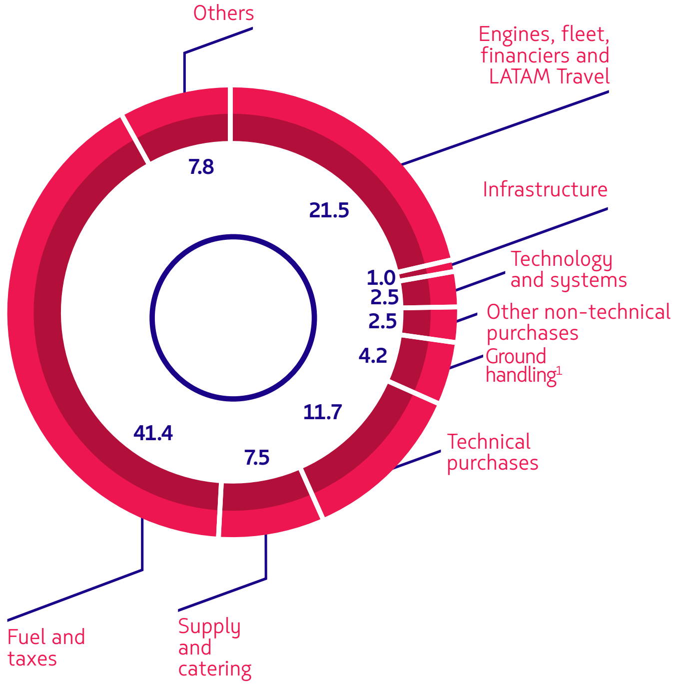
Geographic distribution[1] (%)



15,341 suppliers
total

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

Purchase volumes (%)



US$9,203,565,892
total

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

MAIN SUPPLIERS

LATAM's main suppliers are aircraft manufacturers: Airbus and Boeing.

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

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

COMMITMENT TO SMES

During 2019, LATAM Airlines Group revalidated the Propyme seal, awarded by the Ministry of Economy in Chile to companies that agree to pay invoices in a maximum period of 30 days to micro, small, and medium companies. This commitment is part of LATAM's relationship of accountability with its supplier chain, in order to improve the financing conditions, concretely contributing to economic and social development.

COLLABORATIVE WORK

LATAM relies on the supplier network to identify and develop solutions for in-flight waste management. The Recycle Your Trip program (*read more in Ecoefficiency*) manages the waste from Mercado LATAM, the Company's in-flight sales service. The program was implemented on all domestic flights in Chile in August 2019, thanks to the joint work with suppliers, who were continuously revising their packaging to make the products offered to passengers 100% recyclable.

Since 2019, the company has been working on a program to eliminate single-use plastic, such as disposable cups, flatware, and pillow and blanket wrapping, in order to meet the worldwide environmental challenges concerning this material.

MONITOR RISKS [308-2 and 414-2]

A matrix identifies the potentially most relevant economic, social, and environmental risks in each of the 21 supplier categories. This mapping includes, for instance, companies' financial health, ethical conduct, and compliance with labor and human rights standards, as well as fiscal, industry, health, and environmental issues.

Based on this matrix, all suppliers are subjected to a preventive analysis of sustainability risks, including a lookup system on international databases for cases of unfair competition, corruption schemes, financing to terrorism and drug trafficking, child or slave labor, and environmental nonconformities. The verification in the system is done for all new suppliers and monthly for suppliers with active contracts when there is any suspicion of some deviation.

The system issues automatic alerts that are analyzed in depth on a case-by-case basis by the Compliance department. When the risk is confirmed, LATAM adopts measures that range from structuring joint action plans to revoking the contract. In 2019, 9,4 thousand suppliers were evaluated and 110 were identified as posing a risk. They all underwent more detailed evaluations and were subjected to mitigation plans (see chart).

Risk management — evolution on targets

Target	2019 result
Carry out a preventive analysis of the whole universe of suppliers monitored by the Procurement department	61% of suppliers
Reduce the number of suppliers that generate alerts in the preventive analysis system	1% of alerts
Carry out a level 2 due diligence of all critical suppliers who were the subject of an alert	100% achieved

FOCUS ON QUALITY

To ensure the product and service excellence, LATAM carries out periodic audits of the suppliers of fuels, ground handling, supply and catering. In 2019, 249 suppliers were subjected to audits. In 192 points for improvement were found, for which 1.6 thousand specific action plans were agreed on.

SNAPSHOT

Supply chain [102-10]	2019
Total LATAM suppliers	15,341
Critical suppliers[1]	
Share of the supplier base	13%
Share in LATAM procurement volume	41%
Identification of potential risks	
% of categories subjected to sustainability risk analysis	100%
Preventive analyses carried out in the international database systems (% of the total base)	9,427 (61%)
Suppliers considered high risk in sustainability aspects (% of those analyzed)	110 (1.1%)
Detailed evaluations based on the system alerts (% of the high-risk ones)	110
Monitoring and management	
Audits performed	249
Suppliers with agreed mitigation plans (% of the audited)	192 (77%)
Action plans	1,616
Contracts terminated due to noncompliance	0

1 Includes suppliers that are difficult to replace and products or services whose shortage could generate interruptions in operations and TPIs.

Note: Until the 2018 Annual Report, all payments made, including client ticket cancelations, were erroneously included in the supplier base. The correction applied in the 2019 Annual Report prevents a comparison with the data published in past years; therefore, the historic series is not included on that table.

STRAIGHT TO THE POINT

Sustainability in the crosshairs

Context and positioning

To be a LATAM supplier, it is not enough to offer the best price, quality, and service level. It is necessary to share the same guidelines on ethics and integrity that rule the Group's behavior, as well as to adhere to all legal standards.

Topic management

To guide the relations with suppliers and ensure that they adopt the behaviors required by LATAM, the Group has various policies and procedures:

- **Corporate Procurement Policy:** it outlines the management of the supply chain and specifies the financial, social, and environmental requirements that the business partners must meet. Constantly updated, the document is in line with the Anticorruption Policy and the *Code of Conduct*, and contains regulatory specifications for each country where the Group operates.

- **Contracts:** All contracts contain a specific environmental clause (*see Appendix*) that establishes that the supplier must meet all legal requirements, be responsible for eventual penalties, and communicate to LATAM any incident that may cause environmental damage. Purchase orders, for lower volume and/or short-term contracts, include a clause that requires the supplier to adhere to anticorruption and environmental protection practices.

- **Monitoring Third-Party Intermediaries (TPIs):** these are suppliers acting on behalf of LATAM before national and foreign public officials. Prior to their engagement, said supplier is subjected to an extensive due diligence process. The contract includes anticorruption and antibribery clauses and, during the life of the contract, they are asked to prove their adherence to the Code of Conduct and Anticorruption Policy. At present, there are 697 suppliers registered as TPIs.

- **Code of Conduct for Suppliers:** launched in 2019.

Developments in 2019

Code of Conduct for Suppliers

In 2019, the Code of Conduct for Suppliers was launched, including specific guidelines on anticorruption and antitrust practices, access to privileged information, privacy, security of confidential and client data, digital and cybernetic crime, financial and money-laundering crimes, and socioenvironmental, labor, and human rights issues. In the tender processes, all participants receive a copy of the document, and those chosen must formalize their adherence to the Code upon signing the contract.

The document also includes a recommendation that each business partner establish their own Supplier Code of Conduct, in the aim to foster good practices throughout the value chains related to LATAM.

New management tool

In 2019, the Group implemented in every country where it operates a new supplier management tool: The SAP Ariba Supplier Management system. The tool unifies various processes related to the supply chain, improving the monitoring of the base and transparency in all stages of the relation with partners, among other improvements.

CUSTOMERS

IN THIS CHAPTER

The best experience

Offering a quality experience to all clients in the various stages of interaction with the brand is a permanent goal for LATAM. This includes the careful management from the moment when a passenger buys a ticket up to their in-flight experience, considering aspects such as security, ease in the purchase and *check-in*, punctuality, cabin appearance and comfort, channels for interaction, and service and entertainment options, among other aspects. Based on a transversal vision, the Group acts simultaneously in the various stages of work to offer the best products and services and meet the demands of the different profiles and needs.

In 2019, the Group made progress on its process to transform passengers' travel experience, with an investment of close to US$400 million in the cabin modernization of most of the fleet up to 2020. According to the project timeline, close to 42 airplanes were modernized during 2019, added to the arrival of two 787-9 airplanes with a new design. Assigned to LATAM Brazil and LATAM Peru, the Airbus A320, Boeing 767, and Boeing 777 models are already operating domestic and international flights.

LATAM also relaunched the VIP lounge at the Miami (US) airport and it is building a new space in Santiago (Chile), following the opening of the new terminal.

Currently, in addition to Miami and Santiago, LATAM has its own lounges in the airports of Bogota (Colombia), Buenos Aires (Argentina), and Guarulhos – São Paulo (Brazil), which serve an average of 2,800 clients per day. One of the main benefits that the alliance with Delta Air Lines could provide to LATAM's passengers is the possibility of enjoying the VIP spaces of the US airline in different countries.

CABIN TRANSFORMATION

Main changes

Wide body planes

Premium business class includes:

- isle access for all passengers;
- more privacy;
- 180° reclining seats;
- differentiated entertainment system;
- extra compartments for personal items;
- snacks selected on the personal screen;
- fewer interruptions by the crew.

Narrow body planes

- Special LATAM+ seats: more space, exclusive places for hand baggage, and larger personal screens;
- intelligent seat distribution in the back rows, with more seats and more appealing fares.

AIRFARES

There are four types of fares on domestic and international flights for clients to choose the fare that best meets their needs and priorities, with the option to buy additional services, such as bag tag, preferred seating, and flexibility for travel date changes. With this model, LATAM manages to foster access to air transportation for different client profiles.

In 2019, the Group launched another fare alternative: Basic economy, for those who travel with only a small bag. The new fare is ideal for short trips, for leisure or business, where it is possible to carry few personal items. Its average value is US$9 less than the economy fare, which includes up to 10 kilos of carry-on baggage in Brazil and up to 8 killos in other countries.

Offered initially on domestic flights operated by LATAM Chile, LATAM Peru, LATAM Colombia, LATAM Ecuador, and LATAM Argentina, the new option was soon adopted by the passengers.

MONITORED SATISFACTION

With ongoing monitoring of customer perception at the different moments of contact, the Group manages to act quickly to fix possible mistakes, implement improvements, and make the necessary clarifications to clients. One example is the post-flight survey, known as Voz del Cliente (Voice of Customer). The survey, which includes questions regarding the in-flight and airport experience, as well as the likelihood that they will recommend LATAM, is sent upon landing to all passengers who provided their e-mail address. The survey has a response rate that is deemed satisfactory, as roughly 300 thousand answers are received each month. Management receives the gathered information and is in charge of managing the topics brought up by the survey.

Annually, a more strategic satisfaction survey is also carried out, based on the *Net Promoter Score* (NPS) methodology, where results are measured on a scale from 100 negative points to 100 positive points. The various initiatives carried out throughout the year to guarantee passenger satisfaction had a positive effect on NPS, whose consolidated result in 2019 totaled 33 points; the target was 30. Growth compared to 2018 totaled 8 points. This evolution took place despite a complex external environment in Chile, impacted by the popular demonstrations. The scope of the survey included 3.6 million answers — close to 5% of the total passengers transported.

LATAM Cargo also uses the NPS to gauge customer satisfaction. The improvement in internal processes and a closer relationship with clients influenced the indicator's growth, which increased 32 points in 2019, vs. 23 points in 2018. The target set for 2019 was 26.

MINDING EACH DETAIL

The focus on a better in-flight experience also comprises specific actions and small operating adjustments in the local routines and habits. On some domestic flights in Brazil, for instance, the in-flight menu was adapted based on the day of the week and the time of day. The Friday afternoon menu recreates a happy hour environment, offering drinks. And to cater to those who travel for business, the Group expanded the options of flights early and late in the day in cities such as São Paulo, Rio de Janeiro, and Brasilia.

SNAPSHOT

CUSTOMERS	2017	2018	2019
LATAM app users	4,964,991	5,468,600	8,052,136
Self-check-in (related to the total check-ins made)	70.0%	78.5%	79.4%
Online check-in (app or website)	59.0%	65.9%	70.2%
Check-in at self-service kiosks	11.0%	12.6%	9.2%
Registered in the LATAM Pass frequent flyer program (millions of people)[1]	29	30	30
On-time performance			
OTP 15	81%	82%	88%
Satisfaction			
Net Promoter Score (NPS) — Passengers	29	23	33
Net Promoter Score (NPS) — Cargo	ND	23	32

1 For 2017 and 2018, it considered the sum of the two programs operated by the Group (LATAM Pass and LATAM Fidelidade).
NA: Information not available

Technological transformation

In every sector, technology has been changing the way in which clients purchase products and services, and how they relate to companies As for companies, the new resources enable them to automatically process large volumes of information that guide their decision-making, streamline processes, and make it possible to customize the experience. At LATAM, this translates, in practice, into the use of *analytics*, a daily processing of thousands of data on flights to perfect safety procedures (*see page 98*) and fuel consumption (*see page 81*), and the delivery of autonomy and control to clients when managing their own flights.

In 2019, the group emphasized passengers' experience at airports, boosting self-service. The use of *check-in* kiosks and printing their own boarding pass and bag tags was encouraged, achieving an increase of over 30% in their use. During 2019, LATAM began using the *self bag drop* in São Paulo, Brasilia, and Rio de Janeiro (Brazil), London (England), Bogota (Colombia), and Quito (Ecuador), enabling clients to have the possibility of a 100% automated check-in process. During 2020, the company expects to reach over 15 airports with this technology which, in addition to benefitting passengers, frees the staff to provide personal assistance.

LATAM is also looking at facial recognition using biometrics to put it to various uses, currently in a testing phase during boarding. In 2018, it was implemented at the Montevideo (Uruguay) airport, and in 2019, it arrived in the Orlando (US) airport. With this format, presenting and checking ID documents is done only by the police authority. As with the self bag drop, facial recognition can only be implemented with airports' collaboration.

The website and app should soon have a button enabling clients to choose how they wish to pay for their ticket: with money or through the exchange of miles from the LATAM Pass frequent flyer program. Moreover, it will be possible to use a combination of these options: part of the value paid in miles, and the remainder, in money. This new function is part of a broad project to further improve LATAM's value proposition in the digital world, seeking to offer greater comfort, autonomy, and security to passengers.

Moreover, we have LATAM Play, a platform that enables passengers to watch, during their flight, series, movies, news, and other content, and listen to music through their mobile device (smartphone, tablet, or laptop).

LATAM APP

The number of registered users of the LATAM App increased from 5.5 million in 2018 to 8 million in 2019. One of the features of the app is the augmented reality solution to determine if passengers' carry-ons are within the allowed limits. It is also possible to perform the *check-in*, issue the boarding pass, and confirm the flight status, choose a new flight in case of cancelation, and purchase a LATAM+ Seat, among other features. All these options are also available from the My Trips menu, on the LATAM website.

4

Four out of every five check-ins done digitally (website, app, or kiosk);

1

One out of every two flight changes via app or website;

Nearly

30%

of tags printed and placed on baggage by the passenger.

Artificial intelligence

In 2019, LATAM was a pioneer in South America in offering clients in Brazil the possibility of interacting with the Group through Amazon's Alexa voice service. The virtual assistant provides information regarding flight status and suggests destinations, among other data. It is enough to open the Alexa application and select the LATAM skill.

On social media

LATAM is increasingly more active on social media both to publish releases regarding the day to day operation and to involve clients and other people in specific topics. With the social demonstrations that took place in Chile as of October, LATAM encouraged the use of the Twitter channel; it published over 20 releases regarding the operations in the country in a single day. LATAM's campaigns to celebrate LGBTI+ Pride Day (June 28) and to promote the *Stormtrooper Plane* with theme art of the *Star Wars* saga (as a result of the partnership between LATAM and Disney), also had broad repercussions in social media.

A world of possibilities

In association with Google, the LATAM website launched an ideal function for those who wish to travel but have no set plan as yet. On the main page of the website, after clicking on the "Don't know where to go yet?" tab, the client has access to an interactive world map, a choice of flights, and their prices to different places around the globe. It is possible to use filters for dates, prices, and types of destination (sun and sea, gastronomy, couples, night life, and culture), thus refining the search.

The LATAM app already has 8 million registered users. The augmented reality solution to measure carry-ons is one of its functions.

STRAIGHT TO THE POINT

On-time performance

Context and positioning

For passengers, a flight's guaranteed arrival time is essential and a key factor in satisfaction. In LATAM, punctuality is a commitment of the whole company, and it depends on the coordination of various teams — airport service, supply, bag tags, cleaning, crew — and on minding every detail from the moment when the plane lands until it takes off again.

Topic management

In the aviation sector, the on-time performance (OTP) indicator is usually monitored per standard DEP15, which considers flights that take off with delays of up to 15 minutes. LATAM calculates its targets based on that indicator and, internally, it also monitors its performance based on the DEP0 standards (departure on time) and ARR14 (arrivals up to 14 minutes after the scheduled time).

The Group has annual on-time performance targets and good results have a positive effect on the calculation of the variable compensation of the teams involved.

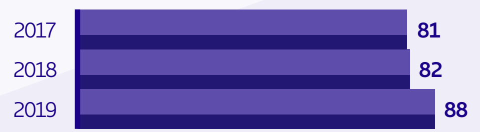
Developments in 2019

The Group adopted a daily monitoring model, directly involving management and the teams, with a prompt identification and correction of risks and deviations. The learning also resulted in improvements in standards and procedures, such as:

- **Schedule adjustments** to define the best times and minimize the risk of delays, particularly at saturated airports;
- **Coordination among the teams** for *check-in*, boarding, and *ground handling* to ensure agility throughout the process flow;
- **Procedure revisions** to streamline the stages of securing the airplane's doors, communications with the control tower, and storing carry-on baggage, among others;
- **Crew assignments** on short, consecutive flights, without the need for team rotation.

Group boarding
The new boarding model adopted in 2019 also had a bearing on punctuality. Passengers are divided into groups from 1 to 6; priority passengers continue to board first, as do LATAM Pass frequent flyers. In addition to reducing boarding times, the change led to greater peace of mind among passengers.

OTP performance DEP15



For the second consecutive year, LATAM was the **most punctual airline group in the world**, according to the OAG (*Official Airline Guide*) *ranking* — Mega Airlines category, which includes the 20 largest airlines. It also headed the Cirium *ranking*, which is a benchmark of the sector.

ENVIRONMENT

IN THIS CHAPTER

Policy and systems

The Safety, Quality, and Environment Policy is LATAM's main environmental management guideline and it follows the international standards and regulations. The Group periodically monitors its performance with regard to the defined goals and targets, in a process that seeks to generate value for society, the environment, and the business. Currently, 91% of the operations, have an environmental management system (SGA, for its Spanish acronym). The goal is to reach 100% by 2021.

The share of operations that have SGAs certified by international standards is 32%. The LATAM Cargo operation in Miami (US) is certified under ISO 14001/2015, for environmental management and an internal diagnosis is underway to define the plans to certify other operations in the future.

The (domestic and international) aviation operations, the corporate offices, and the Maintenance Base of LATAM Colombia, as well as the international operations of LATAM Chile, are certified under the IATA Environmental Assessment (IEnvA) standard of the International Air Transport Association (IATA).

The IEnvA certification is voluntary, specific for the aviation sector, and has two stages. The first considers the commitment of top management, the scope of the environmental management systems adopted, and the identification of legal requirements and environmental impacts of all flights and activities. LATAM Colombia is certified in this stage, together with four other companies in the world. LATAM Chile is certified in stage two, which includes a total of six certified companies. Stage two considers the aspects of the first level together with other points: the definition of goals and targets, communication and training actions, and the performance of audits are some examples.

Created especially for the aviation industry, the IEnvA certification is in line with the requirements of ISO 14001, and has been implemented in the operations of Chile and Colombia.

EVOLVING TOGETHER [102-12 and 102-13]
LATAM participates actively in the discussions on environmental topics both in benchmark organizations of the aviation sector and in multisectoral agencies and initiatives. In addition to sharing experiences, presence in those bodies enables the Group to collaborate in the construction of joint solutions and identify opportunities to improve its internal proceses.

In the environment of the aviation sector, the main ones are:

· **International Air Transport Association (IATA):** as a member of the association, LATAM focuses specifically on discussions involving climate change, noise, and environmental management. IATA participated actively in the approval of CORSIA (the acronym for Carbon Offsetting Reduction Scheme for International Aviation), an unprecedented sectoral agreement fostered by the International Civil Aviation Organization (ICAO) and approved in 2016 for the reduction and mitigation of emissions from air transportation activities until 2035 (*see page 84*).

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

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

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

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

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

STRAIGHT TO THE POINT

Climate change

Context and positioning

According to the International Energy Agency (IEA), aviation will represent 15% of the increase in global oil demand by 2030, thus raising the sector's total greenhouse gas emissions. For comparison purposes: Growth projections are the same for passenger vehicles. According to the Intergovernmental Panel on Climate Change (IPCC), aviation stands for 2.5% of greenhouse gas emissions (GHG) generated by human activities.

LATAM is working on various projects to mitigate, reduce, and compensate its carbon footprint, in addition to identifying new opportunities for managing environmental impacts and fostering eco-efficient practices.

Topic management

Internally, climate change management in LATAM implies:

- The establishment of **reduction targets** in line with the required level of decarbonization to limit to 1.5°C the increase in global temperature;
- The focus is on the efficient use of alternative fuels;
- The establishment of **offset targets** through investments in high-quality certified projects;
- The ongoing monitoring of **results**;
- The effective management of **risks and opportunities** linked to climate change.

Externally, it includes:

- Adherence to **sectoral commitments**, such as the commitment to Carbon Neutral Growth as of 2020 (CNG2020), a voluntary IATA initiative, with targets and deadlines for emissions compensation; and preparation to meet the OACI's CORSIA reduction targets;
- Participation in the Brazilian discussions to enable the use of **biofuels on a large scale in aviation**, which would be directly reflected on the impacts of the sector.

Developments in 2019

LATAM Target	2019 Results	
To reduce the annual fuel consumption in the 2019 budget.	• **0.4%** reduction in annual fuel consumption compared to the budget. •Fuel efficiency initiatives generated savings of 60.6 million gallons in 2019. • **14%** more efficient in fuel consumption compared to baseline 2012. [305-5]	Achieved
To be Carbon Neutral in ground operations as of 2020, considering 2012 as the base for emissions.	Over **14,500 tons** of emissions compensated in the year[1].	Achieved

IATA Target	2019 Results	
Improve fuel consumption efficiency by 1.5% annually by 2020.	• **14%** reduction in fuel use by 100 RTK since 2012[2]. [305-5] • **2%** annual average reduction.	Achieved
Carbon Neutral Growth (CNG) by 2020.	• Since 2013, LATAM's total carbon footprint has been smaller than the base year for that target (2012); in 2019, it was 0.2% lower.	Achieved
To reduce net CO2e emissions by half by 2050, with 2005 as the base year.	• **1.2%** reduction of the net footprint compared to 2012. • **118.592 t de CO_2e** from air operations offset in 2019.	Achieved

1 Offsets are always made in the year following the emission.

2 While the IATA target sets 2005 as the base year, LATAM makes its comparison with 2012 to monitor its progress.

Note: The year 2012 acts as the baseline to monitor progress.

Achieved Not achieved

Operations ecoefficiency

LATAM seeks, permanently, to increase the eco-efficiency throughout its operations, which translates, in practice, into: consuming less fuel (main generator of CO_2 and other atmospheric emissions), energy, and water, generating less waste, and guaranteeing its proper disposal.

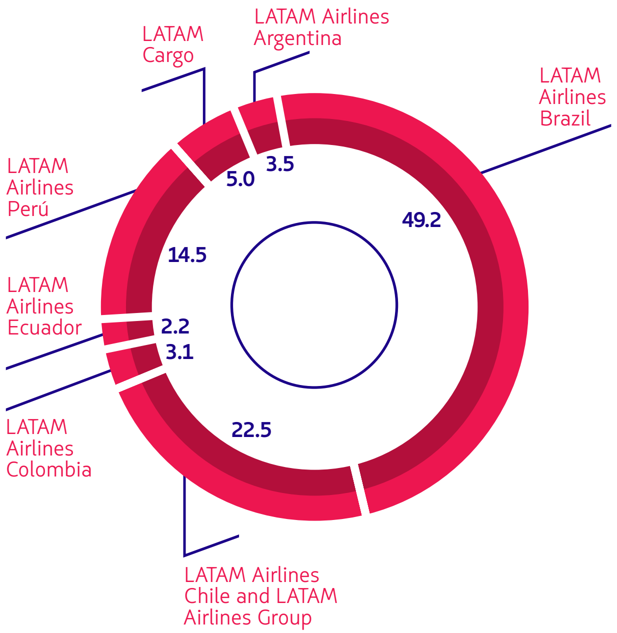
CARBON FOOTPRINT

As the main environmental impact of the sector, greenhouse gas (GHG) emission management and reduction are a priority for LATAM. To effectively know the impact of the ecoefficiency and offset initiatives adopted, monitoring progress is essential. For this purpose, the Group inventories its greenhouse gases annually, based on standard ISO 14064.

The Group's total carbon footprint in 2019 was 12,386,323 million tons of CO_2 equivalent—a 7% increase compared to the result of 2018. The net carbon footprint, which subtracts from the total the emissions offset throughout the year, settled at 12.253.203 tons of CO_2 equivalent in 2019—10% growth compared to 2018. The increases are due to a lower volume of emissions offset throughout 2019, following the end of the offset projects in Colombia (*read more below*).

[+] Details regarding the inventory and the scope of the information can be found in the *Appendices*.

Total carbon footprint (%)



12,386,323 t CO_2e
Total carbon footprint 2019

12,386,323 t CO_2e
Total carbon footprint 2019

12,253,203 t CO_2e
Total net carbon footprint 2019

82.09 kg CO_2e por 100 RTK
Intensity of air emissions 2019

82.79 kg CO_2e por 100 RTK
Intensity of total net emissions 2019

REDUCTION TARGETS WITH A SCIENTIFIC BASIS

In 2019, LATAM began using a science-based targets methodology, in order to set greenhouse gas emissions reduction targets based on science, and thus drive the initiatives related to the climate change strategy.

Early in 2020, the Group adhered to Science Based Target Initiative (SBTi), a coalition that gathers the Global Compact, Carbon Disclosure Project (CDP), World Resources Institute (WRI) and the World Wide Fund for Nature - WWF. LATAM is the only airline in the American continent to adopt a commitment with SBTi. The next step, under development, is to present the Company's work targets to SBTi for validation.

The sustainability strategy, in its dimension on Climate Change, has various goals, such as contributing to limit global temperature in the XXIst century to 1.5°C above preindustrial levels. This limit is in line with the recommendations of the fifth address of the United Nations' (UN) Intergovernmental Panel on Climate Change (IPCC).

LATAM is the only airline in America to adopt a commitment with the Science Based Target initiative.

Risks and opportunities [201-2]

LATAM's management of climate change is centered around a broad vision of risks and opportunities. One of the risks identified is the adoption of restrictive laws and regulations in the countries where the Group operates, that may imply tax payments on LATAM's GHG emissions. This is already a reality in Colombia. In 2019, the Group paid the tax, as it did not manage to neutralize 100% of the emissions caused by its domestic air operations, which had guaranteed LATAM Colombia's exemption until then. In Europe, there are now taxes for emissions of other gases that cause acid rain, such as NOx (nitrogen oxide).

Another identified risk regards the CORSIA sectoral agreement, for the reduction and offset of the aviation sector's GHG emissions, should a country where LATAM operates decide to enforce the agreement earlier. Likewise, environmental liabilities which, in addition to financial damage, have a high power of impacting organizations' reputation, are considered potential risks. Last, the Group included the possibility of an increase in high-impact climate phenomena, such as cyclones and hurricanes, capable of affecting LATAM's operations, causing the cancelation of flights and even the interruption of operations for a given period, negatively affecting revenue. Such phenomena may result in a reduction in the number of tourists that visit the affected regions in the following months.

Heeding all these risks, LATAM focuses on a series of initiatives to reduce its operations' fuel consumption and thus, its GHG emissions, ratifying its commitment to the sectoral initiatives on the matter. Moreover, it monitors the global regulatory environment, making periodic estimations to understand the impact that taxes related to emissions of GHGs, other gases, and noise could have on the business, should they be adopted by all the countries where it operates. Simultaneously, it invests in the modernization of its fleet, with the systematic substitution of airplanes with more efficient models, and in technologies and navigation systems that guarantee operation in adverse weather conditions. Moreover, it supports the discussions on the development of more sustainable alternate fuels.

For LATAM, climate change also offers business opportunities. The Group believes that, more and more, companies' management of the issue can set them apart from their competitors and have a positive impact on the brand's reputation. By responding to the expectations and demands of the various stakeholders, the Group attracts new clients and generates loyalty among its current ones—mainly those who are accustomed to choosing a company or brand for its attributes, in addition to price, security, and quality.

In addition to GHG, the LATAM monitoring system includes other emissions, such as NOx, SOx, and gases that affect the ozone layer.

Other significant air emissions

Significant atmospheric emissions [305-6 and 305-7]	2016	2017	2018	2019	Δ 2019/2018 (%)
Nitrogen oxides (NO_x) – (t)	**38,828**	**37,876**	**39,485**	**41,697**	**6**
Intensity in passenger operations (g/RPK)	0.265	0.253	0.256	0.261	2
Intensity in cargo operations (g/RTK)	1.848	1.822	1.718	1.880	9
Sulfur oxides (SO_x) – (t)	**1,720**	**1,678**	**1,749**	**1,847**	
Intensity in passenger operations (g/RPK)	0.012	0.011	0.011	0.012	2
Intensity in cargo operations (g/RTK)	0.082	0.081	0.076	0.083	9
Gases that affect the ozone layer[1]	**6.44**	**23.84**	**46.7**	**21.2**	**-55**

1 Includes (2018): Halón-1301; HCFC-141b; HCFC-22; HFC-125; HFC-134a; HFC143a; HFC-32; R410A; and R507A.

Note: in the emissions intensity indicators, the year-over-year variation is not perceivable in this chart because the figures show only two decimals.

FUELS [302-4]

The first front of climate change management comprises the actions to reduce GHG emissions, such as prioritizing LATAM's efforts to decrease jet fuel consumption. This input represents the most important operating expense for both the Group and its peers in the sector, and can have a bearing on medium- and long-term economic sustainability.

Since 2010, LATAM has a program to identify and monitor efficiency measures, and it is applied integrally and with uniform metrics throughout all the affiliates since 2016. The fuel efficiency program is managed by a specific area, but it depends on the development of other areas and each affiliate to achieve the proposed targets. This interaction also ensures that a good practice identified can quickly be deployed.

Savings achieved in 2019 were possible thanks to a set of measures currently implemented by the Group. Among the new actions, we find: the standardization in choosing alternative airports, used if it is not possible to land at the destination airport, for all of LATAM's destinations; and the command crew's management of the extra fuel carried, which made it possible to optimize the amount of this input transported on each route, decreasing the flight's total weight. Changes in taxiing procedures, such as the use of a single engine without the need to use the Auxiliary Power Units, also resulted in a decrease in fuel consumption.

In 2019, LATAM avoided the consumption of 60.6 million gallons of fuel (7,942 TJ, in line with the 2019 target);

In numbers, this volume translates into US$145 million in savings;

The 2020 target is to prevent the consumption of 68.8 million gallons.

EFFICIENCY MEASURES IN FUEL

- Investments in more modern and efficient aircraft, such as the Boeing 787, the Airbus A350 and the Airbus A320neo. The investment has been carried out to make adaptations to the whole Airbus A320 fleet, leading to greater efficiency in standard operating procedures.
- Weight reduction measures, such as minimizing unnecessary onboard water, using ultra-light service carts, optimizing fuel according to destination, improving the distribution of weight to have an optimal center of gravity and the improvement of load factor (the combination of passenger and cargo services).
- As of 2019, LATAM Pilot Tools, an internally-developed mobile app, was deployed. This app enables the customized feedback for flight crews, focusing on captains' request and use of fuel and fuel consumption on the ground, among other efficiency and security indicators. This app is innovative, as it is the first time that a direct communication channel has been created between flight crews and the company's security efficiency operations. At December 2019, improvements have been achieved in 3 initiatives related to the app.
- Standardized operational procedures in every stage of the flight (taxiing, climb, cruise, approach and landing), for instance, changes in the climb profiles, which generate savings with minimal changes to the flight crew's workload, or minimizing the use of the auxiliary power unit when aircraft is on the ground.
- Monitoring maintenance and performance of the fleet including frequent engine washes, which allow more efficient combustion of fuel and reduce emissions in airport areas.
- Improvements of the flight plan and its management, including continuous feedback using a post-flight analysis tool called *Full Tracks* developed by the Fuel Team with the support and collaboration of Operations and Safety. This tool allows us to better program and optimize our flight plans. During the second half of 2019, changes were implemented in the policies, optimizing fuel planning based on the destination, standardizing policies, allowing for centralized performance tracking and criteria unification.

TECHNOLOGY DEDICATED TO ECOEFFICIENCY

An initiative that began to be carried out manually a few years ago became 100% automated in 2019, thanks to the adoption of a software for LATAM's Operations Control Center (OCC). The tool analyzes the performance of each plane in terms of fuel consumption, which makes it possible to know which is the most efficient airplane from the viewpoint of flying a given route, helping the OCC to make the best decision: upscale the plane that uses less fuel to longer routes, and vice-versa. It is not a matter of the differentiation by airplane model, as it is possible to have two planes of the same model that consume different amounts of fuel, based on the type of engine installed and the time of use given to each plane.

Since late 2018, LATAM also has an app that provides pilots with information regarding their own performance on each route that they operate, compared to the crews' average. This enables them to take steps that will have a positive effect on fuel consumption. Based on the data gathered, pilots manage to:

- redefine the amount of reserve fuel carried;
- adopt more efficient aircraft altitude and stabilization procedures, prior to the landing. In this case, it is possible to keep the plane stabilized at lower altitudes, which require less fuel, but always minding the established safety limits;
- rationalize the use of the auxiliary power unit (APU), specifically for when the airplane is on land. There is information regarding the electrical equipment or equipment that uses other fuels available at each airport, eliminating the use of the APU and generating greater fuel savings.

The application, which monitors the close to five thousand flights performed each year, analyzes over 50 elements, which totals around 25 million data processed annually. All these data are evaluated by the teams in charge, shared when necessary with the pilots and other LATAM professionals, and lead to the setting of new targets to improve the Group's efficiency.

MODERN FLEET

The gradual overhaul of the operating fleet is one of the Group's commitments that also impacts ecoefficiency. LATAM ended 2019 with 13 Airbus A350-900 and 26 Boeing 787 Dreamliner—versions 8 and 9—both benchmarks in fuel consumption and in the reduction of greenhouse gases and noise. Moreover, it has 49 Airbus A321 and 13 Airbus A320-Neo; the latter, for instance, consumes 15% less fuel and generates 50% less noise than the equivalent model of the previous generation.

ALTERNATE FUELS

LATAM was the first airline group in South America to perform a flight on biofuels in 2010 in Brazil. Later, in 2012 and 2013, two other commercial flights in Chile and Colombia used biofuels. This pioneering spirit proves the Group's commitment to the talks to facilitate the production and commercialization of aviation biofuels on a large scale.

Depending on the crop used, biofuels could replace up to 80% of jet fuel, contributing to more significantly decrease its greenhouse gas emissions. So far, however, the biofuels with potential for use in aviation have major limitations that restrict their application on a large scale. Some examples are the imbalance between production volume and demand, high prices, and distribution complexities.

For its adoption on a large scale, the product must be appealing from an environmental, social, and economic perspective. There are currently several initiatives to develop sustainable biofuels in several countries, but as yet lacking an outlook for commercial use, although several airlines participate in experimental flights or are involved in the research and development of technology.

To that effect, there is still a significant debate regarding environmental, technological, economic, and ethical issues related to the production of biofuels, which naturally affects the aviation industry's decisions.

For LATAM Group, overcoming these obstacles depends on an integrated and a multisector approach involving growers, the petrochemical industry, aircraft engine manufacturers, distributors, government authorities, and regulatory bodies.

The Group monitors and participates in Brazil in the talks regarding biofuels, where the implementation of the National Biofuels Policy (RenovaBio) is discussed, as it seeks to drive the production of biofuels in the country.

Following the approval of the law that created RenovaBio, national emissions reduction targets were established for the country's fuel network in the 2018-2028 period. They are deployed annually as mandatory individual targets for distributors, based on their market share of Brazil's fossil fuels in the preceding year. RenovaBio was enforced in late 2019, following the regulation of decarburization credits (CBIOs), a financial asset traded on the B3, Brazil's stock market, which must be purchased by distributors and can be marketed by biofuels producers and importers certified by the program.

The National Council of Energy Policy (CNPE, for its Portuguese acronym) launched a public consultation following the release of the national reduction targets in 2018. At that time, LATAM, individually and through the Brazilian Association of Airline Companies (ABEAR), issued a public statement requesting that biokerosene not be included as a defining parameter in this first cycle of targets. In the view of the Group and its peers in the sector, as there is currently no production of aviation biokerosene on a commercial scale in the country, the RenovaBio targets could affect the aviation industry with a possible increase in the prices of fossil fuel for aviation, without offering any direct incentive to biofuels producers to invest in the production of aviation biokerosene. The CNPE accepted ABEAR's argument and did not include biokerosene in the list of substitute fuels already commercially available.

LATAM continues to defend the creation of favorable conditions to guarantee the supply of aviation biofuel at competitive prices, which would boost demand from the aviation industry players without affecting the financial sustainability of the parties involved.

OFFSET PROJECT

On a different axis of climate change management, we find the emissions offset strategy. In order to reduce its environmental impact, LATAM began, 8 years ago, to neutralize its ground emissions with an initiative in Peru. In 2019, it began to purchase carbon credits from a REDD project located in the Peruvian Amazon. This is the Madre de Dios Amazon REDD Project, which has 100 thousand hectares of sustainable forest management in the region that gives the project its name, in the southeast of the country.

Since 2007, the wood from this initiative has been certified by the Forest Stewardship Council (FSC). Moreover, the whole project has been validated by the Verified Carbon Standard (VCS) since 2013, and by the Climate Community and Biodiversity Standard (CCB) in its top category (Gold) since 2009. The VCS is a voluntary certification for carbon offset projects, whereas the CCB acknowledges carbon offset projects that, simultaneously, reduce the impact of GHG emissions and preserve biodiversity, as well as fostering the development of local communities. Both programs are managed by VERRA, a non-profit organization.

Merging the environmental and social focus, a third of what LATAM contributed to the project was channeled to an NGO devoted to providing children and teenagers with environmental education. Creatively, the NGO works by generating environmental preservation spaces on a small scale, which must be managed by the participating children and teenagers. The economic viability of these spaces is the result of a bond program and LATAM's contribution financed that program precisely, enabling the students of a rural school in Villa Primavera, in Madre de Dios, to care for a 200-thousand m^2 area and learn more about biodiversity, climate change, and other environmental topics. They also received supplementary school supplies.

2019 was the first year that LATAM has offset the ground emissions of its operations in Argentina, Chile, and Ecuador. Until then, only LATAM Colombia and LATAM Peru were performing the offsets. As of 2021, ground emissions from Brazil will also be offset.

After becoming carbon neutral in its ground operations in 2013, and in its air operations as of 2017, LATAM Colombia was unable to continue to offset 100% of its operations in 2019, due to the lack of environmental projects with carbon bonds offered in the country. Part of the emissions was offset through the purchase of bonds, and for the part that it has not been possible to offset, it began to pay the Colombian government US$5 per ton of CO_2 emissions from its domestic flights.

The three offset projects which received resources in 2019 were:

· **REDD+ Mataven forestry protection:** reduction of deforestation emissions through the sustainable management of forests, preservation and improvement of forest reserves, with a total of 1.8 million hectares protected;

· **Bajo Tulua hydroelectric plant:** Located on the Tulua river, Valle del Cauca department. It has an installed capacity of 19.9 MW, and it is a run-of-river power plant that does not require a reservoir;

· **Commercial reforestation at Mega:** The project is located in Puerto Gaitán, Puerto López, and Mapiripán (Meta), and it is mainly comprised of acacia. The area surrounding the project is predominantly burnt savannahs for grazing; thus, in addition to generating economic benefits for the population, because this is commercial reforestation, it contributes to protect the area from inadequate uses—mainly extensive livestock farming.

The Group intends, however, to identify new projects to neutralize the volume of emissions resulting from the domestic operations of LATAM Colombia in 2020.

Since 2012, when the neutralization actions began, LATAM has offset over 956 thousand tons of CO_2e.

In 2019, over 14 tons of CO2e from the ground operations of Argentina, Chile, Ecuador, and Peru were offset. The total accrued since 2012 is 53 thousand tons.

For 2020 LATAM's whole ground operation is expected to become carbon neutral.

CORSIA: A SECTOR EFFORT

In late 2016, the aviation industry was a pioneer in adopting a public commitment to gradually reduce greenhouse gas emissions in the sector: The Carbon Offset and Reduction Scheme for International Aviation became known by the acronym CORSIA. Through CORSIA, the sector's goal is to achieve carbon neutral growth as of 2020 and to reduce emissions by 50% compared to 2005 by 2050. As of 2035, ICAO expects the development of biofuels to have made greater progress, significantly contributing to the reduction of the sector's carbon footprint.

The scheme, endorsed by the 191 member States of the International Civil Aviation Organization (ICAO), comprises various stages. In 2017, the Recommended Standards and Practices were created, delivered to the endorsing countries, and used as reference by the latter in setting their Measurement, Reporting, and Verification (MRV) steps.

The voluntary participation stage will begin in 2021, lasting until 2026. In Latin America, Mexico, Guatemala, and Costa Rica joined voluntarily. In 2027, the second stage will begin, which is mandatory for those countries whose share in international aviation surpasses 0.5% of the total revenue per ton-kilometer (RTK). In this second stage, of the countries where LATAM operates, only Brazil would join.

As of 2019, the Group began reporting the total CO_2 emissions from its international flights to the relevant authorities of the countries where it operates, as CORSIA proposes. Thus, it expects to contribute to the process of defining reduction and offset targets for those countries.

As of 2021, the Group should be impacted in the cases of flights including two of the countries that are already part of the voluntary stage of the agreement. An example would be a flight departing from Chile, which is not part of the voluntary stage, and passing through Mexico and then on to the US, both included in that first stage.

OTHER FRONTS

Together with the initiatives to reduce fuel consumption, LATAM is working on other fronts seeking to improve its efficiency—energy, water, and waste—which also have set targets (*see status below*).

One of the novelties is LATAM's effort to design initiatives that more effectively involve passengers on the path towards greater efficiency. Based on that stance, in August 2019, LATAM launched in its Chilean operations the Recycle Your Trip corporate program following a pilot stage in 2018. The program will extend to include Colombia, Ecuador, and Peru in 2020.

A project to eliminate single-use plastic on board, such as plastic cups and wrapping for blankets, pillows, earphones, and flatware used for meals and other items, is also underway. This effort involves suppliers and various teams as well.

The Group is also revising the amount of water carried in each plane during a flight, and seeking for optimization alternatives, considering the duration of the flights and the routes, in addition to discussing guidelines for loading water on planes, avoiding, for instance, loading at locations affected by water stress.

20 tons

of plastic, aluminum, and glass that did not end up in a landfill and were sent to recycling in six months of the Recycle Your Trip program.

LATAM target	2019 results	
Reduce energy intensity by 10% at buildings (2015-2020 comparison)	10% reduction	Achieved
Reduce water consumption by 10% (2015-2020 comparison)	35% reduction	Achieved
10% reduction in waste generation (2015-2020 comparison)	325% increase	Not achieved

Planned X Performed 2019: Achieved Not achieved

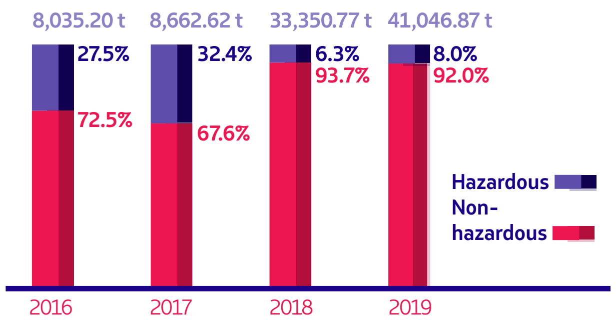
Recycle Your Trip

After carrying out tests on domestic flights during 2018 and designing the best model to implement selective waste collection on board, LATAM Chile officially launched the Recycle Your Trip program in July 2019. The program consists in recycling the packaging of products sold through Mercado LATAM, which offers 30 options of food and beverages at affordable prices on the domestic flights of LATAM Chile, LATAM Colombia, LATAM Ecuador, and LATAM Peru. Close to 40% of the packaging is recyclable, according to a study performed by the Group.

With passengers' help, the crew gathers the waste in a cart that has different bags, separated by color, to sort each type of material; glass, aluminum, plastic, and non-recyclable waste. Upon landing, the waste, already separated, is recycled by the partner on the ground, Sky Chefs, which includes it in its recycling chain.

In 2019, over 20 tons of waste were recycled in LATAM Chile. For 2020, the figure is expected to reach 55 tons in Chile alone, alongside the launch of the program in Colombia, Ecuador, and Peru. In 2021, the initiative will extend to Brazil and Argentina.

Waste [306-2]



Note: The magnitude measured varied throughout the years, as a reflection of changes in the monitoring systems. Considering each operation's percentage participation of revenues (measured in RPK) in the Group's total, the magnitude was:

Hazardous waste
99% in 2016 and 100% since 2017;

Non-hazardous waste
87% in 2016 and 100% since 2017.

Destination of waste (t) 2019 [306-2]

Hazardous waste	**37,763.9**
Landfill	525.7
Recycling	100.9
Incineration	54.9
Co-processing	170.1
Controlled deposit	313.9
Effluents treatment	36,440.0
Other	158.5
Non-hazardous waste	**3,283.0**
Landfill	1,561.3
Recycling	1,706.7
Incineration	0.0
Co-processing	8.0
Controlled deposit	0.0
Effluents treatment	0.0
Other	7.0
Total	**41,046.9**

Internal actions

Internally, LATAM monitors water consumption at all its operations, and seeks to foster consumption awareness. The corporate offices in Chile, Brazil, Ecuador, and Colombia already have selective waste collection and, since 2018, LATAM Chile's current corporate building and the maintenance base are supplied exclusively by renewable energy. LATAM obtains energy on the open market, directly from the generators, at a more competitive cost. In LATAM Colombia, all energy consumed comes from renewable sources.

Particularly with regard to the Group's facilities, in 2019, a new address was announced for the corporate offices in Chile, which will be located in a building constructed following the precepts of the LEED (Leadership in Energy and Environmental Design) sustainable building certification, silver level. The move should take place during 2022.

Internal energy consumption (TJ) [302-1]	**2016**	**2017**	**2018**	**2019**
Non-renewable energy				
Jet Fuel	155,310.60	151,502.79	157,940.61	166,786.63
Gasoline	24.48	7.81	6.90	9.64
Diesel	161.33	271.81	178.10[1]	118.63
Liquefied petroleum gas (LPG)	6.88	7.10	7.60	12.00
Natural gas	0.01	0.59	0.41	0.29
Total non-renewable energy	**155,503.3**	**151,790.1**	**158,133.62**	**166,927.20**
Renewable energy				
Ethanol	–	0.09	0.25	31.75
Electricity[2]	165.39	240.37[3]	182.31[4]	216.64
Total renewable energy	**165.39**	**240.46[3]**	**182.55**	**248.39**
Total	**155,668.69**	**152,030.56[3]**	**158,316.18**	**167,175.59**

1 There was a decrease in Chile's consumption due to the outsourcing of ground handling activities.

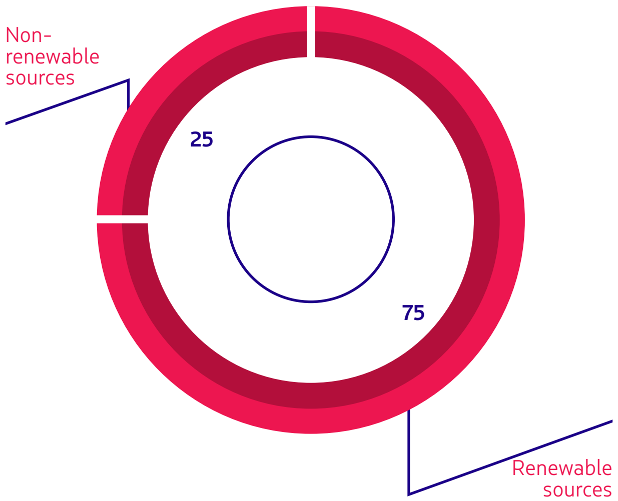
2 The energy consumed comes from different sources. The share percentage of each source varies year after year, based on the electric grid of each country.

3 Differs from the figure released in the 2017 Sustainability Report (Electricity: 271.12 TJ; Total renewable energy: 271.21 TJ; Total: 152,061.31 TJ) because consumption in Colombia was corrected.

4 Reflects the reduction in consumption in Colombia due to the closing of work centers.

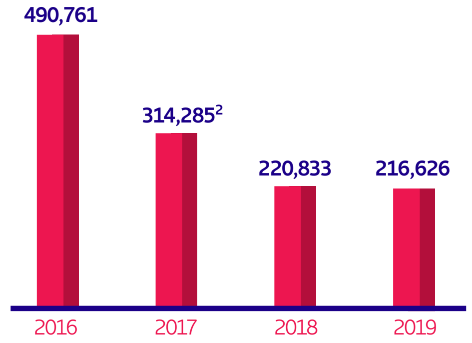
Data regarding the scope of the information is available in the *Appendices*.

Electric energy consumption (%) – 2019



217 TJ total

Water consumption (m³)[1] [303-1]



1 Supply is provided by the municipal networks of the various countries of operation, without LATAM's direct collection of water. The scope of the index has varied throughout the years, reflecting changes in the monitoring systems, and represented 89% of operations in 2016, and 100% since 2017. These figures include the percent-age participation of each operation in the total transportation carried out by the Group, measured in RPK.

2 The total differs from the figure published in the 2017 Sustainability Report (320,466 m3) because water consumption in Colombia was corrected.

SNAPSHOT

Environmental performance [302-3]	2016	2017	2018	2019
Environmental policy and management systems (EMS)				
Units with implemented EMS	91%	96%	94%	91%
Units with certified EMS	2	2	3	3[1]
Climate change				
Total emissions (t CO_2e)	11,367,134	11,087,051	11,535,117	12,386,323
Net emissions (t CO_2e)	11,359,659	10,755,408	11,178,625	12,253,203
Emissions intensity in air operations (kg CO_2e/100 RTK)	82.56	79.45	80.06	82.09
Net emissions intensity in total operations (kg CO_2e/100 RTK)	82.96	77.50	77.86	82.79
Energy intensity (MWh/100 RTK)[2]	0.32	0.30	0.31	0.41
Rational fuel use (reduction compared with IATA average)	7.1%	8.6%	7.9%	5.7%[3]
LATAM fuel efficiency (liters/100 RPK)	32.76	31.53	31.77	32.55
Passenger Operations	3.06	2.93	2.96	3.01
Cargo Operations	21.35	21.05	19.84	21.72
Other aspects of ecoefficiency				
Approximate average age of fleet (years)	7	8	8.9	~9
Energy consumption (TJ)[4]	155,668.69	152,030.56	158,316.18	167,175.59
Water consumption (m³)	490,761	314,285	220,833	216,626
Waste disposal (t)	8,035	8,663	33,351[5]	41,046.87
Noise management				
Noise (% conformance with ICAO chapter IV)	100	100	100	100

1 Equivalent to 32% of the operations.

2 Considering internal and external consumption.

3 Based on average consumption from 2018, according to IATA data. The calculation includes 260 airlines, which represent 80% of the world air traffic.

4 Includes ground and air operations.

5 The increase is justified by the fact that the net waste management cycle in Brazil is not annual and the total treated in 2018 includes waste generated in previous years. In addition, there was an increase in this type of waste due to the maintenance performed at the treatment plant.

EMPLOYEES

IN THIS CHAPTER

STRAIGHT TO THE POINT

Working more closely

Context and positioning

To put into practice its mission of connecting people and destinations, LATAM invests in its employees. People management relies on structured training and professional promotion practices, as well as an appealing compensation and benefits package, and it seeks to align to the transformations of the labor market. Dialogue and the closeness between the staff and management are important differences to ensure the alignment of purposes and the joint commitment to the execution of the business strategy.

LATAM's purpose

We make sure dreams reach their destination

Topic management

The dialogue and commitment practices are included in the routine of both leaders and employees. For instance:

- **LATAM News:** weekly meeting during which leaders present to their teams relevant information on the Group;
- **Expanded:** periodic meeting headed by the vice-presidents to deliver information regarding the business context;
- **1:1 Accompaniment:** meetings held between the employee and their leader, which result in alignments that strengthen the individual development process;
- **Recognition Platform:** it enables the leader to publicly acknowledge an outstanding behavior by a member of their team. Employees may also acknowledge their area colleagues, as well as professionals from other sectors.

The leaders are also trained to dialogue with their teams and act collaboratively. Through the **Barometer** tool, employees evaluate their immediate superior twice a year. Results are discussed with the team and bring about improvement plans that the boss will carry out.

Periodicity is one of the key elements for dialogue effectiveness. LATAM News, for instance, is published weekly or every two weeks, depending on the area.

Developments in 2019

In 2019, top management was even closer to the employees. At LATAM Airlines Brazil, for instance, the CEO, Operations and Human Resources directors, and Flight Crew manager have a monthly commitment with the command and cabin crews in training at the LATAM Corporate Academy in São Paulo (SP). They meet with the teams to talk about how management and the business are doing, and to answer their questions. The encounter was the solution found to make personal interaction closer with this group that, given the nature of the job, is not located at a specific unit.

In LATAM Airlines Argentina, the Human Resources director implemented a meeting agenda with all areas to present new process simplification and efficiency practices. This step made it possible to better understand the guidelines and encouraged professionals' participation in their execution.

The LATAM News of Brazil's Operations area took place, in 2019, via YouTube, thus enabling employees' remote participation.

Management and development

Having employees who can face the business' short- and long-term challenges requires systematic investments in professional development. In 2019, LATAM invested a total of US$22.1 million in training. Each employee participated, on average, in 37.1 hours of training, totaling 1.5 million hours of training in the year. [404-1]

The development strategy has a direct bearing on the personal growth opportunities, with horizontal and vertical movements. In middle management (heads and analysts) and at the executive level, 87% of the positions were filled with internal movements, in line with the parameter that the Group deems satisfactory.

Training (h) per professional [404-1]

By professional category	2017	2018	2019
Management	15.6	0.7	11.2
Maintenance	29.2	25.2	41.2
Operations	35.8	178.4	32.4
Command crew	75.8	11.1	66.4
Cabin crew	32.2	50.7	52.7
Sales	47.5	5.0	18.0
By gender			
Men	34.8	30.3	36.5
Women	47.2	42.5	38.2
Total	**39.8**	**35.0**	**37.1**

COMPENSATION AND BENEFITS

LATAM's compensation strategy adheres to applicable local legislation and it is aligned to the best practices of the labor market. It includes a base salary and variable compensation, calculated based on the Group's financial performance throughout the year and the achievement of a set of targets: corporate, which apply to all; specific to the employee's department; and linked to individual performance. The bonus paid to directors is linked to the price of LATAM's shares, and is cumulative and with incremental redemption; that is, it can reach 100% once two years have elapsed since it was awarded.

As for salary equality, LATAM maintains its commitment to non-discrimination and equal opportunities. In 2019, women's average salary was 78% to 99% of men's average salary, based on the various professional categories (*see detailed table*).

In addition to traditional compensation and benefits, such as a health plan, food coupons, and life insurance, LATAM bets more and more on offering non-monetary benefits to guarantee a different value proposition for employees that will help them to more effectively match their personal and professional lives. Some of these are:

• jeans day every day of the week, thought to increase professionals' comfort in their work environment;

• home office once a week, arranged in advance with the immediate superior;

• short Friday, for those who wish to leave work at 14:00 on Friday and make up for the difference on the remaining business days;

• 50% to 75% discounts on airfares confirmed in advance. Over 1,000 destinations in 160 countries; and

• 100% free trips when seats are available on the flights.

As of 2019, LATAM also began to offer the opportunity for leaves of absence for up to 30 days, without pay, for those employees who wish to take some external course, guaranteeing their return to work upon conclusion of the period, which can be added to the days of vacation that are their due by law.

Salary comparison women/men[1]

Board Members[2]	0.89
Top management: CEO, vice-presidents, directors, and senior management	0.78
Managers and assistant managers (considering financial incentives as well as the base salary)	0.92
Managers and assistant managers (only base salary)	0.90
Middle management (bosses and analysis) and other employees	0.99

1 The calculation uses the average salary for women/average salary for men.

2 The Board's salary is determined by the Shareholders' Meeting. It is equal for all board members, except the chairman, and it is based solely on their participation in the meetings.

In 2019, employees used over 352.7 thousand free or discounted tickets.

7.8 thousand employees used the benefit at least 10 times during the year.

NEW SALARY FLOOR IN CHILE

One of the measures that the Chilean government announced in order to deal with the concerns of the local population, who took to the streets as of October 2019, was to set the gross monthly minimum wage at 350 thousand Chilean pesos. The announcement triggered movements among entrepreneurs to, voluntarily, set the gross value at 500 thousand Chilean pesos. LATAM adhered to the movement and, going a step further, announced that the minimum threshold of 500 thousand net Chilean pesos will be applied to net compensation as a parameter for all the Group's employees working in Chile.

ORGANIZATIONAL CLIMATE

That set of measures—closer management, dialogue and transparency, opportunities for professional development and internal promotion, adequate compensation and economic and non-economic benefit package—has a positive impact on the organizational climate. Another factor that contributes towards keeping a satisfied team is related to the results of the business itself. In 2019, for instance, there was greater stability in all operations, a record figure of passengers transported (74.2 million), and initiatives such as the strategic alliance with Delta Air Lines—one of the main airlines in the world—bolstering feelings such as the pride of belonging and enabling professionals to see clearly the path drawn for LATAM.

The annual survey, which uses the Organizational Health Index (OHI) methodology, monitors the levels of internal alignment, renovation capacity, and performance quality. The leadership assessment lies at the core of the survey. In the 2019 survey, LATAM registered a consolidated OHI of 74, setting LATAM in quartile 1, which represents the best results. The target for the year was 66. The response rate also increased from 75% in 2018 to 78% in the period.

In all the dimensions that comprise the index, LATAM achieved at least 6 points more compared to the previous year, and in five of them it ranked in the top quartile: External Orientation, Coordination and Control, Innovation and learning, Capacities and Responsibility. Among the Group's main strengths, it is worth noting the significant increase of its external focus, which seeks to generate and offer greater value to clients and associates. Another strength identified through the survey was having managed to communicate a clear and convincing vision, through an efficient leadership to drive the organization forward.

88%

of the positions deemed critical have an identified successor.

SUCCESSION PLANNING

In 2019, 88% of the critical positions had identified successors. Of them, 58% were ready to take on a new position immediately and 42% were being prepared to take over a new position in the medium term.

TURNOVER

The turnover rate in 2019 was 13.7%, slightly lower than in previous years. The Group continued to outsource auxiliary activities in specific operations to focus on the activities that are directly related to the business, and it remains committed to the identification of synergies to simplify processes and act with greater efficiency and quality. [401-1]

All those movements are managed by the Human Resources team, which carefully monitors the turnover rates of some strategic functions, such as pilots—a specialized activity whose professional replacement is more complex and takes longer. For LATAM, the proper turnover level for this function is 4%; in 2019, this group's turnover rate settled at 4.1%.

At LATAM Airlines Brazil, just to provide support for the expansion of services after the addition of 14 new airplanes, 700 new professionals were hired.

LATAM group and affiliates – turnover rate (%) [401-1]

By gender	2017	2018	2019
Men	17.8	9.9	12.3
Women	14.1	20.8	15.9
By age group			
Up to 30 years old	18.1	30.6	23.0
From 31 to 40 years old	15.9	11.9	11.9
From 41 to 50 years old	11.4	3.7	7.9
From 51 to 60 years old	11.9	1.7	7.8
Over 61 years old	21.1	1.9	15.2
By country			
Argentina	11.7	8.3	7.8
Brazil	14.5	15.9	11.2
Chile	14.8	13.4	18.8
Colombia	19.6	10.9	18.0
Ecuador	18.2	13.1	17.8
United States	ND	16.0	22.2
Peru	19.4	8.0	13.0
Others	NA	34.4	17.8
Total	**15.5**	**14.2**	**13.7**

NA: information not available.

LATAM group and affiliates – new hires [401-1]

	Total	Tasa (%)
Argentina	72	3.2
Brazil	2,904	13.5
Chile	2,004	18.9
Colombia	316	21.4
Ecuador	92	12.5
United States	11	4.1
Peru	681	17.1
Others	70	8.7
Total	**6,150**	**14.7**

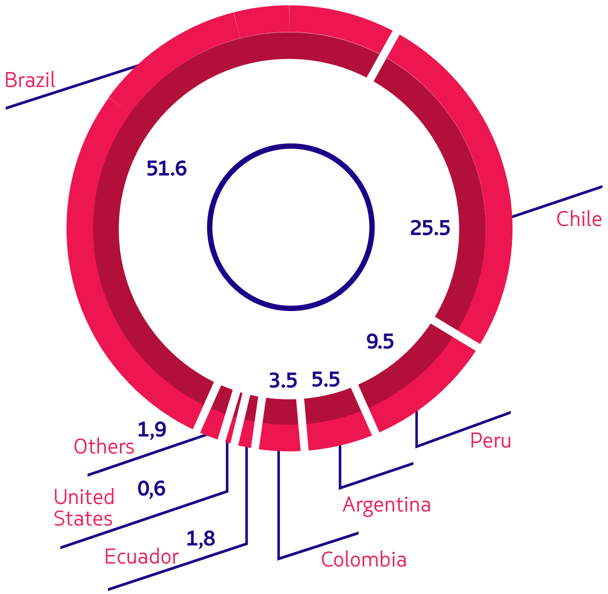
SNAPSHOT

People management	2017	2018	2019
Total employees	43,095	41,170	41,729
Turnover rate	15.5%	14.2%	13.7%
Average hours of training	39.8	35.5	37.1
Critical positions with identified successor	89%	62%	88%
Internal movements			
Middle management (heads and analysts)	30%	71%	74%
Executives	89%	87%	91%
OHI survey			
Result	62	64	74
Quartile	3	3	1

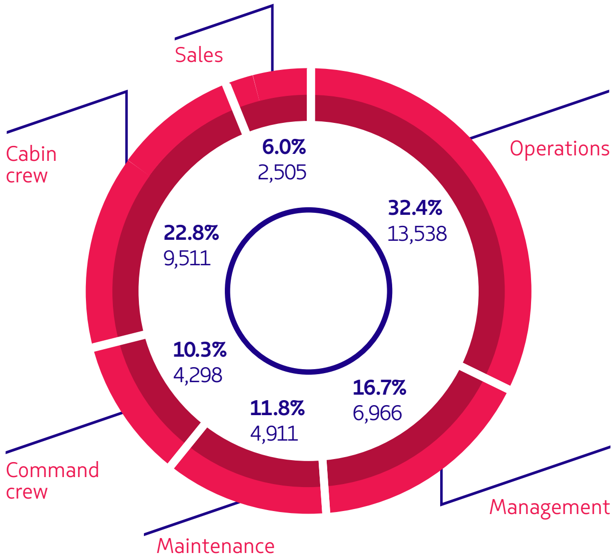
Employee profile and distribution

GRUPO LATAM AND ITS AFFILIATES [102-8]

Country of operation[1] (%)



Function



total
41,729 employees

1 97.3% of the contracts are permanent and 99.3% of employees work full time.

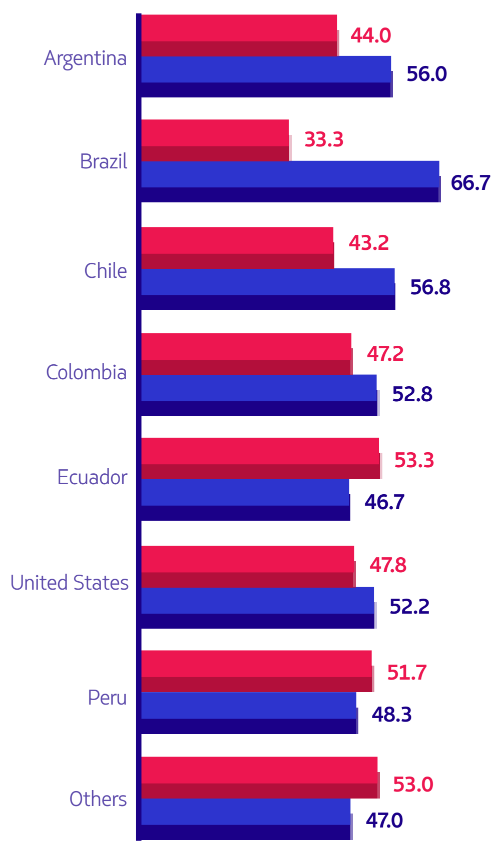
Total employees – 2019	Total	%
By gender		
Men	25,261	60.5
Women	16,468	39.5
By age group		
Up to 30 years old	10,970	26.3
From 31 to 40 years old	17,417	41.7
From 41 to 50 years old	9,405	22.5
From 51 to 60 years old	3,209	7.7
Over 61 years old	728	1.7
By seniority		
Up to 3 years	11,494	27.6
From 3 years and a day to 6 years	6,179	14.8
From 6 years and a day to 9 years	7,365	17.7
From 9 years and a day to 12 years	6,127	14.7
More than 12 years and a day	10,554	25.3
Total	**41,719**	**100.0**

Management level employees[1] – 2019	Total	%
By gender		
Men	633	70.1
Women	270	29.9
By age group		
Up to 30 years old	30	3.3
From 31 to 40 years old	453	50.2
From 41 to 50 years old	289	32.0
From 51 to 60 years old	113	12.5
Over 61 years old	18	2.0
By seniority		
Up to 3 years	89	9.9
From 3 years and a day to 6 years	130	14.4
From 6 years and a day to 9 years	234	25.9
From 9 years and a day to 12 years	124	13.7
More than 12 years and a day	326	36.1
Total	**903**	**100.0**

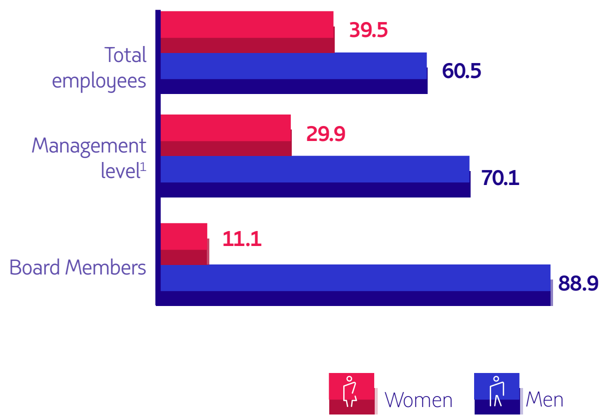
1 Management level: includes assistant manager, manager, senior manager, director, and vice-president.

Board – 2019	Total	%
By gender		
Men	8	88.9
Women	1	11.1
By age group		
Up to 30 years old	0	0.0
From 31 to 40 years old	2	22.2
From 41 to 50 years old	0	0.0
From 51 to 60 years old	5	55.6
Over 61 years old	2	22.2
By seniority		
Up to 3 years	9	100.0
From 3 years and a day to 6 years	0	0.0
From 6 years and a day to 9 years	0	0.0
From 9 years and a day to 12 years	0	0.0
More than 12 years and a day	0	0.0
Total	**9**	**100.0**

Gender – by country (%)



Gender (%)



Distribution by gender in the countries – 2019 [102-8]

Total employees	Women	Men
Argentina	1,004	1,278
Brazil	7,175	14,378
Chile	4,584	6,038
Colombia	697	779
Ecuador	392	343
United States	129	141
Peru	2,058	1,924
Others	429	380
Management level employees[1]		
Argentina	6	18
Brazil	89	155
Chile	136	361
Colombia	5	20
Ecuador	3	7
United States	13	32
Peru	11	20
Others	7	20
Board Members		
Chile	0	6
Brazil	1	1
UK	0	1

DIVERSITY IN THE WORKFORCE (2019)

	%
Women (% of total employees)	39.5
Women in management positions (% of management positions)	
Managers and assistant managers	33
Vice-presidents and CEO	5.0
Women in revenue generation positions (Sales managers and assistant managers)	53.0

1 Management level: includes assistant manager, manager, senior manager, director, and vice-president.

STRAIGHT TO THE POINT

Protected personnel

Context and positioning

Safety is a non-negotiable value for LATAM; therefore, the Group works permanently on identifying, preventing, and mitigating risks in the various environments and operations, and on guaranteeing a safe work environment for all the employees. Labor health and safety management are in an ongoing improvement process, which implies the monitoring of internal performance and the identification of good practices in the external environment.

Critical risks
Six critical risks have been identified and are the subject of prevention and mitigation actions, programs, and processes: Driving moving equipment; exposure to noise; handling aircraft engines; handling hydraulic systems; work at heights; and work in confined spaces.

Topic management

The issue is systematically monitored by management and results in initiatives to guarantee that employees are deeply committed to LATAM's four safety principles:

- Safety is everyone's responsibility;
- Respect for all safety procedures;
- Everyone should immediately report unsafe conditions or actions;
- The use of personal protective equipment (PPE) is mandatory.

For executives, there are annual goals that are related to health and safety, whose results have a bearing on the performance evaluation.

For employees, actions range from the Health and Environment Week (annually in LATAM Airlines Brazil and LATAM Airlines Chile, and biannually at other operations) to the Safety Guardians program, active in Brazil and in the Group's US branch, which encourages reporting unsafe behaviors.

Monitoring
LATAM monitors injury and lost day rates, as well as the number of fatalities, and the Action Plan Index (API), which gauges the effectiveness of potential risk mitigation plans, including the total risks identified and the various degrees of severity. The performance of said indicators enables the Group to establish priority actions.

Developments in 2019

In line with the efforts performed in the last few years, the injury rate dropped again, settling at 0.74, meeting the internal goal for the year (0.82).

In Chile, LATAM also outperforms the transportation and communications sector regarding days lost, with a rate of 16 vs. the sector's 26, according to data from the Superintendence of Social Security.[1]

*The injury rate fell **20%** compared to 2018. Considering the last five years, since 2014, the accrued reduction stands at **52%**.*

Snapshot

Job health and safety [403-2]	2017	2018	2019
Number of accidents[1]	444	390	310
Injury rate[2]	1.03	0.93	0.74
Lost days	6,680	6,164	5,232
Lost days rate[3]	15.46	14.70	12.5
Deaths	0	0	0

1 Accidents related to some critical risk and high-impact events (accidents resulting in over 100 days lost) total 1.5.

2 Total injuries with work interruptions/average no. of employees x 100.

3 Total days lost / average no. of employees x 100. Includes work interruptions related to occupational diseases, accidents, or deaths.

1 Source: Annual Statistics Report 2018, published in April 2019.

[+] Indicators by gender and country of operation are available in the. *Appendices*.

SECURITY

IN THIS CHAPTER

STRAIGHT TO THE POINT

Safety first

Context and positioning

The safety of passengers, employees, communities, and operation infrastructure is LATAM's number one priority. Aside from aligning to international regulation and excellence standards for the sector, the Group works on identifying ongoing evolution opportunities and strives to achieve ever more demanding goals, defined monthly based on the six best monthly results reported in the previous 24 months.

Topic management

The *Safety, Quality, and Environment Policy* gathers the guidelines on the topic and follows the parameters established by the International Civil Aviation Organization (ICAO).

The Safety Management System includes tools and programs that enable LATAM to act proactively, monitor performance, identify risk situations, and react promptly to minimize them. For a precise and updated diagnosis, the Group performs a series of periodic audits, divided into three types:

- **IOSA Audit (IATA Operational Safety Audit):** All affiliates have had this certification since 2007 and undergo a recertification every two years;
- Frequent **internal audits** that assess the maturity of the processes implemented in the Airports and Maintenance areas;
- Internal **operation diagnoses** in critical areas, such as Engines and Fuels, that check whether the activities are being carried out according to the established processes.

The actions are also guided by the matrix of risk factors and criticality degrees, updated periodically with data from internal analyses and events related to global aviation.

Fatigue control

A specific software compares the teams' planning data with variables that comprise the circadian cycle, such as waking and sleeping state, and defines the ideal composition for the ranges.

Developments in 2019

Psychological support
Employees' psychological wellbeing is constantly monitored by the LATAM occupational health teams, and includes support for issues related to stress, conflicts, or interpersonal difficulties in the teams.

This management was subject to improvements in 2019, with the implementation of the **SeguraMente** program, which guarantees psychological support offering discretion and humanized care for pilots and copilots facing personal and family-related challenges. The initiative includes visits to specialized doctors and psychological care for as long as necessary. Initially adopted in LATAM Brazil, the program will begin to expand towards other affiliates in 2020.

Substance abuse
All affiliates have alcohol and drug checks with random tests given to all the operations area, with specific indications that must be implemented in cases with positive results.

The **ProAjuda** program is carried out by LATAM Brazil as assistance for cases of chemical dependence. It serves pilots, copilots, and other crew members and teams that work in maintenance, flight dispatch, and baggage loading and unloading.

Shared responsibility

LATAM invests in generating awareness and commitment from all its employees to make the operation consistently safer. The process is directly aimed at the Safety vice-presidency; it involves various teams and is supervised by top management. The Group's CEO receives monthly information on the key indicators related to aspects of flight, maintenance, cargo, ground operations, and airport infrastructure, among others. Performance is also subject to periodic analysis by the Board.

The actions concerning the teams seek to bolster the culture of safety through training and initiatives aimed at commitment and communication. One example is the online platform to report safety incidents and deviations, which is already incorporated into the routine of the professionals in different areas. In 2019, there were 27.9 thousand notifications registered on the platform, which is available on the web and also in mobile version, making it easier for professionals who don't have a set workstation, such as crews and maintenance teams, to adhere.

Another way of involving employees, making them all feel responsible for ensuring safety, is organizing spaces for talks to understand their perception regarding the various fronts that comprise the issue. In the survey carried out late in 2018, for the first time, LATAM listened to all employees; the previous surveys focused on operating areas only.

The survey applied the methodology of the International Air Transport Association (IATA), created based on the IOSA standard and the ICAO Safety, Environment, and Health requirements. Overall, there were 60 questions regarding safety awareness; employee empowerment; top management's commitment to the issue; safety policies, processes, and procedures; and communication. 11.4 thousand employees participated in the survey. Of the total surveyed, 85% agreed with the statement "my airline places safety first", and 81% with the statement "my airline is one of the safest ones in the world". The results are in line with the sector average on both points: 84% and 83%, respectively.

The internal survey also enabled the identification of improvement opportunities in aspects related to top management's commitment to safety, as well as to reports and feedback, which were the goal of specific strategies in 2019.

LATAM bolstered leaders' participation in all safety events, such as the Safety and Environment Week, held at all its operations, as well as the expanded meetings; to begin these meetings, a message from the CEO on LATAM's commitment to the issue is always broadcasted. Communications were clearer and sought to bolster the culture of safety among employees. Awareness campaigns regarding job security and information security and the use of the online platform to report safety incidents and deviations were also held, and videos regarding the Group's Emergency Response Plan and airport security were also released. The application that provides pilots with information gained a new function and now all communications regarding Operating Security are stored in a single place, making it easier for pilots to access that material. The cabin crew refresher courses were enhanced with the addition of a block devoted to security.

An established practice in LATAM, the exchange of knowledge regarding security with Delta Air Lines should increase, following the materialization of the strategic alliance. In the sector, LATAM participates in other dialogue forums, such as the IATA group devoted to the matter, where it coordinates the work for Latin America and the Caribbean.

DIGITAL TECHNOLOGY: AN ALLY OF SECURITY

In LATAM, digital technology and flight security go hand in hand. The former is necessary to ensure a safe operation of the Group's close to 1,300 daily flights. As of 2016, an automated monitoring system was implemented, which can collect roughly 95% of the information from all the flights, including data collection from all stages of flight. The measurement reaches 1,280 parameters per second.

As soon as the plane lands, the data is automatically processed. When the system began to be used in LATAM, it was not possible to access 100% of the data till seven days later. Currently, the timeframe has decreased, and it is noow possible to access 80% of the information in under three days, thanks to the connectivity improvements in the planes, mainly as a result of the expansion of WiFi networks. This progress streamlines decision-making. Analyzed by a team of specialists, the data makes it possible to preventively identify technical problems that need maintenance, as well as deviations in standard operating procedures, among other points.

In addition to monitoring information by route, airport, and other segmentations, the Group's security monitoring panel manages data regarding pilots' performance. The reports, submitted confidentially to each pilot, contain, for instance, a comparison of their performance with the fleet average on various points that impact security and indicate the number of incidents identified during that flight.

AIRPORTS, CARGO, AND FACILITIES

LATAM actively participates in instances chaired by national and international authorities and agencies regarding airport security in order to maintain the necessary standards that will enable a safe operation for passengers and employees. The Group works constantly on policies and procedures that will enable a strict adherence to the current applicable legislation in all the countries where it operates, taking preventive, corrective, and ongoing improvement actions to prevent illicit interference and guarantee that the passengers and cargo transported arrive safely in their destination.

Within the scope, it also includes corporate facilities, where employee and visitor access to hangars, cargo warehouses, and administrative offices is controlled, and the critical processes of the operation are monitored remotely, in order to efficiently ensure acceptable levels of security for the company's assets and our people's belongings.

EMERGENCY RESPONSE PLAN

The Emergency Committee is in charge of the emergency response plan; it has representatives from various areas of LATAM, and it heads the response plan when an emergency occurs, including defining actions at the affiliates and mobilizing resources. The response plan concentrates on assisting the affected people and their families, communicating with the various stakeholders, supporting aviation authorities in their investigations, and measures to guarantee the continuity of the operation.

Whenever it is activated, the plan mobilizes the employees of the local committees at nine affiliates: Chile, Brazil, Argentina, Peru, Colombia, Ecuador, United States, Paraguay, and Spain. In case of an airplane accident or serious contingency, these employees are activated in under 5 minutes by the LATAM alert system.

The mobilization of the plan takes place, particularly, in the Security Week, held at all affiliates, which includes talks, trainings, and an aviation emergency simulation. In 2019, during the Week at the affiliates, over 1.5 thousand employees who are part of the emergency response plan were trained.

SNAPSHOT

Emergency response	2017	2018	2019
Members of the emergency team	3,985	2,954	3,787
People trained	1,293	991	1,563

SOCIETY

IN THIS CHAPTER

STRAIGHT TO THE POINT

Driving the region

Context and positioning

Employment generation and economic boosts are important effects of aviation. According to the Air Transport Action Group (ATAG), the aviation sector is responsible for over 10 million direct jobs worldwide, while a total of 65 million jobs depend on the sector and related tourist activities[1]. According to IATA, tourists who traveled on international flights in 2018 spent US$850 billion at the destinations[2].

As the largest airline group in Latin America, LATAM makes a large part of this sum possible: In 2019, it transported nearly 4.5 million passengers on international flights to South America, mobilizing US$1.33 billion.

Economic boost generated by tourism in 2019 — LATAM Passengers[3] (%) [203-1]

Total
US$1.33 billion

1 Data available at: *www.atag.org/facts-figures*

2 Data available in the agency's Annual Report: *www.iata.org/publications/Documents/iata-annual-review-2019.pdf*

3 Estimates based on the average spending volume per tourist reported in the statistics and by the tourist agencies of the countries (Argentina – Ministry of Tourism; Brazil – Embratur; Chile – Sernatur; Colombia – Procolombia; Ecuador – Mintur; Peru – Promperu).

Topic management

LATAM has a Corporate Citizenship strategy that, through the programs in place in South America, such as Care for My Destination, Solidary Plane, and A Day at LATAM, uses its expertise and business capacity to generate positive effects on society and the environment. The main focus is on caring for the destinations in South America, developing sustainable tourism, so the current and future generations can visit the great and appealing corners of the region.

The joint effort with local communities, civil public-private agencies and organizations, and other groups strengthens the work of various social development and preservation projects, and ensures the creation of an ever more effective legacy for the region.

Developments in 2019

Ongoing learning in the execution of the programs guided the review of the Corporate Citizenship strategy, making it possible to bolster the alignment of the actions to the commitment of a positive impact and to LATAM's mission, and provided an even more strategic focus to the developed projects.

The next pages describe the main corporate citizenship programs and actions.

Care for My Destination program

9 locations and over 10 thousand people impacted.

Solidary Plane program

Health and natural disaster actions

4.1 thousand tickets donated and 87 thousand tons of cargo transported.

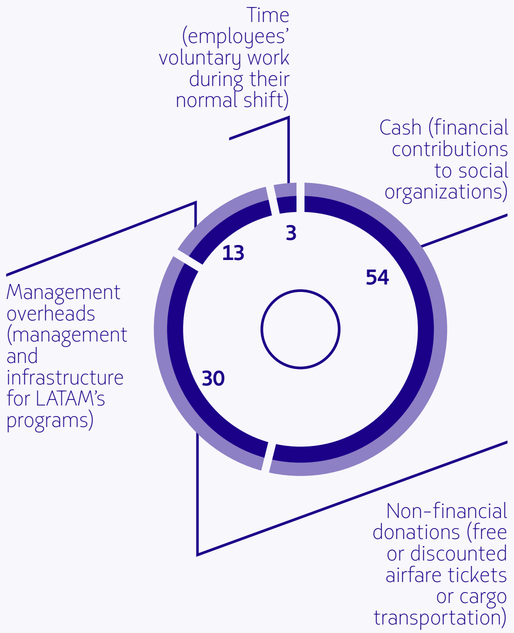
A day at LATAM/Knowing LATAM/ We can all fly programs

Introduce students to the world of aviation

Over 4 thousand children and teenagers who visited the program

937 air tickets donated.

Philanthropy and corporate citizenship (%) [203-1]



Total
US$3,562,823

Care for My Destination

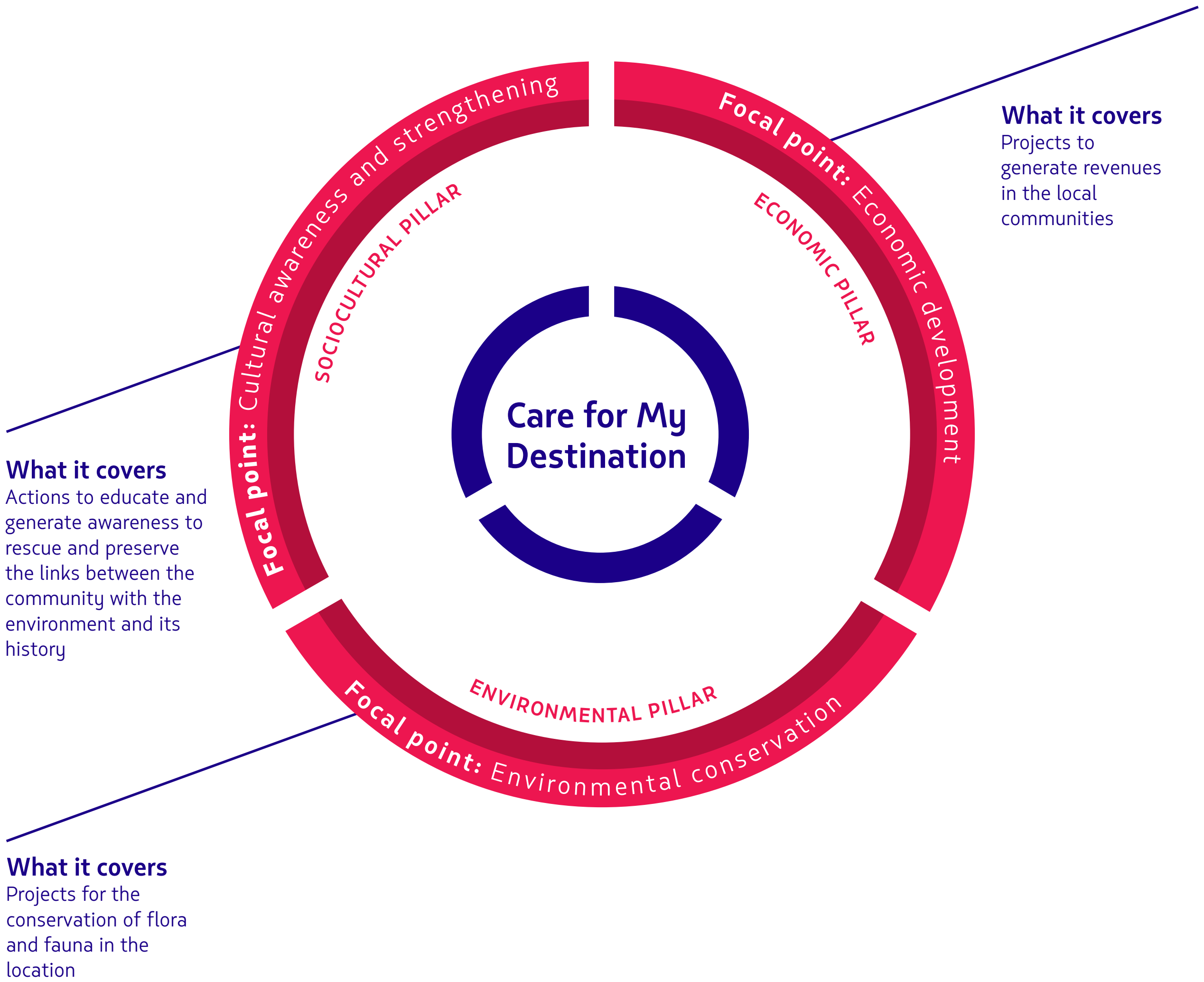
[203-2]

In 2019, the Care for My Destination program celebrated a decade of existence, with an investment of over US$2.6 million. The program's focus is to develop sustainable tourism through preservation and social development programs. This is the most consistent example of how LATAM's commitment, through the comprehensive development (financial, environmental, and social) of the regions where the Group operates, becomes a reality. It also showcases the clear connection between the corporate citizenship and business strategies. In the end, part of the Group's long-term sustainability depends on the revenues from transporting passengers who travel for tourism and, for tourist activities to continue to exist, it is essential that there should be responsibility for preserving and restoring the natural and historical-cultural heritage.

Currently, LATAM works on connecting the Care for My Destination program to the new route launch strategy, which would enable the Group to develop projects under this program at some locations that could become a new LATAM route, considering the social, environmental, and economic demands of the region or city.

With a transversal cultural outlook, which considers the preservation and strengthening of the link between communities and their history, vocation, and surrounding environment, the Care for My Destination program covers initiatives of environmental preservation and restoration of the historical heritage, as well as projects to foster income and employment generation (see table). The strategic focal points of the program are related to different targets and commitments from the Sustainable Development Goals (SDG), particularly those regarding:

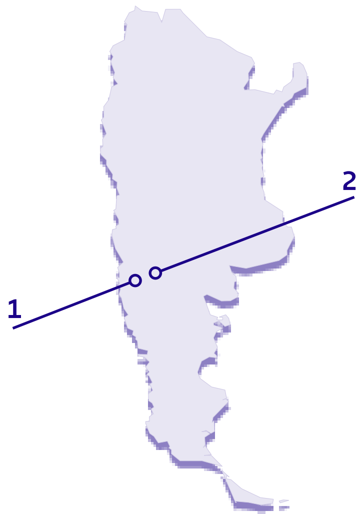
- **ODS 8:** decent work and economic growth;
- **ODS 11:** sustainable cities and communities;
- **ODS 15:** life on land;
- **ODS 17:** partnerships for the goals.



DIFFERENT COUNTRIES

In 2019, actions were simultaneously developed in four of the operation's countries, totaling nine projects. The work was carried out in collaboration with organizations and foundations that have knowledge of the locations and communities, as well as of their demands and shortcomings. The investment totaled US$259.5 thousand in the year.

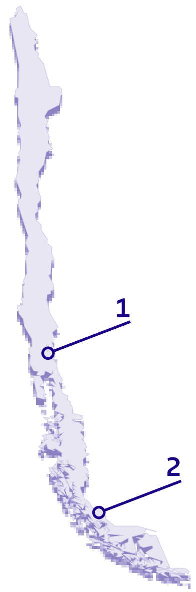
ARGENTINA



1 Piedra del Águila
The small locality is in the Neuquen province, on the way to the tourist centers in the Argentinean mountain range. In alliance with association Conciencia, local mentors were trained to educate and assist regional entrepreneurs; 25 entrepreneurs participated between 2018 and 2019. In addition, together with middle school students, neighbors, and company volunteers, work was done to value the most emblematic tourist attraction of the place, the *Monumento al Aguila* (Eagle monument), with the construction of a viewpoint and the production of information content regarding the local flora and fauna. Currently, the entrepreneur mentoring continues, through customized monitoring of their business plans to boost social development.

2 Villa El Chocón
Known as the dinosaur locality due to the fossils found there, Villa el Chocón is one of the most visited tourist centers in the Neuquen province. The project was carried out in alliance with association Conciencia, which trains local mentors, and together with organizations that specialize in sustainable tourism, such as Fundación Buena Vida and Asociación de Hoteles más Verdes. Late in 2019, trainings began for local tourism entrepreneurs in order to boost their projects. The fostering of the local economy is always managed along the axis of environmental awareness, through the publication of contents to foster conservation and preservation of the local flora and fauna.

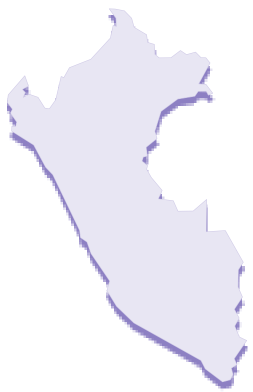
CHILE



1 Huilo Huilo
The Huilo Huilo Biological Reserve is a private protected area nestled among the Patagonian Andes in the South of Chile, where the company, together with the Huilo Huilo Foundation, has conservation and social development programs. The program encompasses a 360° plan, through environmental education and awareness projects for the two schools of Neltume, training offered to the Neltume craftswomen, and tour operators, to provide social development tools. Moreover, the company is part of the *Huemul* (Andean deer) Project, in order for the national symbol of Chile to return to the southern forests.

2 Torres del Paine
The Torres del Paine National Park, located in the Chilean Patagonia, is one of the most important protected wildlife areas in the country. In collaboration with the *Tu Mejor Huella* (your best footprint) organization, the company began the project of rebuilding the first sustainable trail in the country, which is currently eroded due to weather conditions and the over 250 thousand tourists who visit the 8th wonder of the world every year. The initiative is possible thanks to the collaboration of passengers, workers, and the public-private initiative.

PERU



Second flight

LATAM generates socioenvironmental impact by taking care of textile waste produced by uniform changes. The process began with the donation of disused items by our collaborators. The SISAN craftswomen, allied to LATAM in the project, created new products with original designs of the Pachacamac iconographies using the fabric from the uniforms. Throughout the process, they were assisted by another ally, social company Kani, which was in charge of training the craftswomen and designing the products. Last, to achieve a greater scope, LATAM added SISAN as a LATAM supplier and included the products in the LATAM Pass catalog, so they can be exchanged by clients, achieving a 360° impact.

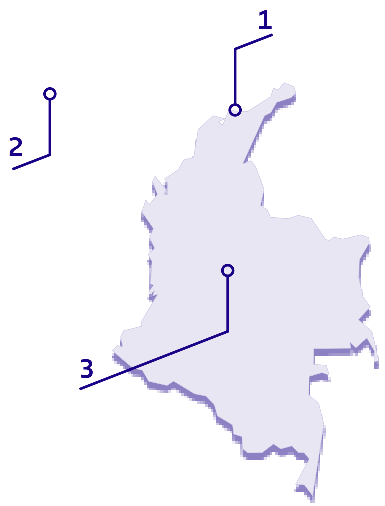
Cocineros que vuelan

With *Cocineros que Vuelan* (Cooks that fly), LATAM seeks to contribute, through gastronomy, to sustainable tourism and to the improvement of health in the communities where it operates. The program provides integral scholarships to young people from state schools, who dream of becoming chefs, so they can study in the Pachacutec Foundation's Cooking school. This institution is one of the most renowned in the country, as it works with the most renowned cooks of the Acurio Restaurants.

Through this scholarship, LATAM has linked gastronomy to the eradication of anemia and malnutrition. For the duration of the scholarship, mobile clinics will be implemented for children in 1st grade in the school where the scholarship holder studied, where screenings will be performed, the corresponding treatments will be provided, and training will be offered. After 2.5 years, and in addition to obtaining a technical degree in cooking, LATAM will provide the certificate of eradication of anemia and malnutrition to the benefited group.

The total contributed in the region is over
US$2.6 million
in 10 years of the program.

COLOMBIA



1 Santa Marta

Construction of a play area in the Pescaíto area, the most emblematic neighborhood of Santa Marta. Together with the *Tras la Perla* foundation and Direct TV, the new space was built with the help of 150 volunteers from ten countries, and benefits over 1,200 children and teenagers.

2 Island of San Andres

Training in entrepreneurship and sustainable tourism for teenagers between 17 and 18 years old. The first stage trained 25 youngsters from the island.

3 Bogota

Training in entrepreneurship and sustainable tourism for young people between 17 and 28 years old. The project is carried out in alliance with the District Institute for the Protection of Children and Youth (IDIPRON, for its Spanish acronym), and has already trained 25 young people in the first stage.

Solidary Plane

[203-2]

The Solidary Plane is a Corporate Citizenship program of LATAM Airlines Group, in existence since 2012, which has the structure, connectivity, and transportation capacity for its passenger and cargo business in benefit of Latin America (LATAM AIRLINES y LATAM CARGO). The initiative is transversal to the company, and expands the scope and impact of the assistance with the synergy of both businesses.

The Solidary Plan has two fields of action; healthcare needs and catastrophe, and although it applies both to the passenger and cargo transportation businesses, its activation and regulation can be differentiated based on the type of business.

In a new action strategy, Solidary Plane Health focuses not only on transporting patients that need medical treatment, but also on the campaigns of multidisciplinary teams to serve the low-income communities. During 2019, the program donated over 4 thousand tickets.

The Solidary Plane Catastrophe, which is activated following a natural disaster, serves requests from government and non-government agencies, to meet the needs that arise in the aftermath of events affecting the community, transporting affected people, teams to help and meet the needs, and humanitarian help.

In 2019, through the US affiliate, LATAM adapted the flight of the Miami (US)-Bogota (Colombia) route to transport 35 tons of medicines, medical equipment, food, and other items to the Bahamas, which were struck in September by hurricane Dorian. To deliver the products, the flight stopped in Nassau, capital of the Caribbean nation. In November, through LATAM Argentina, upon request from the Red Cross, LATAM also ensured transportation to Bolivia of 260 kilos of a product that makes water potable and tickets were donated.

FOSTER THE TRANSPORTATION OF ORGANS AND TISSUES

Since 2013, LATAM Brazil collaborates with the Ministry of Health and places its logistic capacity at their disposal to transport organs and tissues; also, this is currently one of the fields of action of the Solidary Plane program.

Reflected in the Brazilian experience, LATAM's Solidary Plane seeks to consolidate as the airline group that transports the most organs and tissues in South America as of 2020. During 2019, it reviewed the internal guidelines and has been holding talks with the health authorities of the Spanish-speaking countries where it operates to enable agreements and collaborations. LATAM also expects to generate awareness in society so organ and tissue donations will increase in South America and more lives can be saved.

Over 4 thousand

tickets donated on the Solidary Plane Health 2019.

ANIMAL RESCUE PROGRAM

With the aim to safeguard the wellbeing of Latin American fauna, LATAM Cargo has the Animal Rescue program, which offers its experience and capacity to transport to sanctuaries animals at risk, in danger of extinction, or in need of rehabilitation. In 2019, 93 animals were transported. LATAM also contributed to the transportation of cargo during the oil spill that reached the Brazilian coastline.

Expand the impact

In addition to the Solidary Plane program, LATAM also uses its logistics capacity and its broad connection network for other actions, which generate a positive impact for society.

TRANSPORTATION OF RECYCLABLES

LATAM transports recyclable materials for free in island environments, as a way of collaborating with the challenge of reverse logistics and the proper management of waste. The Group also fosters debates to identify long-term sustainable solutions, which involve the authorities and the industrial sector.

The oldest initiative is found on Easter Island, in the Pacific Ocean, a six-hour flight away from the Chilean capital. The materials are marketed and the resulting revenues are invested in environmental preservation projects in the locality.

In 2017, the Group signed an agreement with the Island of San Andres, in Colombia, to enable the transportation of recyclable materials—particularly used tires—to the capital, Bogota.

DONATIONS TRANSPORTATION

In Argentina, Brazil, and Peru, LATAM transported used notebooks, clothes, food, and water for donation throughout the year. In Brazil and Peru, it also carried out the donation of items that were found in abandoned cargoes and baggage.

VOLUNTEER WORK

Throughout the year, the company holds several volunteer programs in South America, as part of its Corporate Citizenship strategy, where employees donate part of their time to participate in campaigns, to be part of the projects of foundations and organizations that need assistance to achieve their goals. In 2019, volunteer work totaled over 6 thousand hours.

An activity developed by volunteers was the reforestation of 1,000 native trees, performed on Cerro Renca, as part of the project to reforest the future green lung of Santiago (Chile). Annually, LATAM's volunteers are mobilized through the "Un Día en LATAM" (A Day at LATAM) program, where the Group opens its doors to receive students from various regions around the country. In 2019, it received visits from over 5 thousand children and teenagers, who are offered a tour of the facilities of the Maintenance Base and receive educational talks regarding the world of aviation. The volunteers participate in roundtable discussions with the visitors.

In Brazil, several initiatives carried out by agencies and foundations were aided by the LATAM team of professionals, who collaborated with preparing food baskets, participated in the distribution of soup to homeless people, and acted as teachers instructing public school kids on citizenship, among other actions. In the Brazilian affiliate, one of the most traditional projects is carried out together with NGO Make-a-Wish, which takes children with serious illnesses to their favorite destination anywhere in the world.

204 tons

of recyclable materials were transported from island regions by LATAM in 2019.

DONATIONS POLICY

Approved by the Board in 2017, LATAM's Donations Policy sets the general rules (criteria, validation stages, and validating agencies) that must guide the cash and service contributions made at all its operations. In 2019, the document was subjected to a new update to ensure that even specific donations are in line with LATAM's goal of contributing to the long-term development of the regions.

Money transfers to foundations, NGOs, and other civil society organizations are allowed, as are donations of tickets and miles, in addition to free cargo transportation. In the case of donations including cash contributions, the Board must approve any over US$25 thousand.

For values between US$5 thousand and US$25 thousand, the Executive Committee must authorize the donation and, for values under US$5 thousand, the approval is left to the vice-presidency of Corporate Affairs.

Donations must meet all the legal and compliance standards. The Corporate Affairs and Legal Affairs departments of each affiliate monitor the process of all donations and any irregularity is reported to the Compliance Department. All contracts signed with LATAM include an anticorruption clause.

SNAPSHOT

Society	2017	2018	2019
Care for My Destination program			
Total investment (US$)	227,294	283,036	259,538
Projects	8	8	9
People impacted	7,405	8,456	10,265
Air tickets donated	NA	289	217
Solidary Plane Health and Solidary Plane Catastrophe			
Air tickets donated	7,439	4,606	4,149
Organs/tissues transported	757	598	807
Cargo transported as humanitarian aid (t)	438	16	87
A day at LATAM/ Knowing LATAM/We can all fly programs			
Total investment (US$)	NA	165,690	170,462
Children and teenagers who visited the program	NA	4,235	4,007
Air tickets donated	NA	844	937
Volunteer work			
Total investment (US$)	NA	11,350	20,500
Volunteer work during the workday (h)	6,125	4,817	6,312
Animal Rescue program			
Animals rescued	129	25	93
LATAM Cargo			
Recyclable materials transported (t)	184	170	204
Other cargo transported (t)[1]	NA	NA	14
Other tickets donated	**NA**	**NA**	**1,248**[2]

1 Other social cargo transported by Solidary Plane not related to natural disasters.

2 Includes ticket donations to Venezuelan refugees and support to the 25th conference of the parties of the United Nations Framework Convention on Climate Change (COP25), held in Madrid, Spain, and chaired by Chile.

NA: information not available.

METHODOLOGY

IN THIS CHAPTER

Construction of the report

[102-46, 102-50 and 102-56]

In the 2019 Annual Report, LATAM presents the main results and challenges of the year, as well as its outlook for the business in the short, medium, and long term, considering the connection between financial and non-financial information. Throughout the publication, LATAM seeks to show how its strategy, management and governance structure, and the performance of its activities generate value for the business and its stakeholders over time.

This was the second year in which the report followed the integrated reporting principles of the International Integrated Reporting Council (IIRC) and the GRI standards (Global *Reporting* Initiative). The publication is also aligned to the legal and accounting standards that apply to annual reports on financial results. The information covers all the companies in the LATAM Airlines Group, and concerns the period from January 1 to December 31, 2019.

Deloitte (*see page 117*) was in charge of auditing the contents and indicators based on the GRI Standards regarding the organization's profile and the material indicators of the economic, social, and environmental dimensions. PwC (*see page 125*) audited the Consolidated Financial Statements of LATAM Airlines Group and its affiliates, which include the consolidated financial statements as at December 31, 2019 and 2018, available starting on *page 164*.

INTEGRATED REPORTING PRINCIPLES (IIRC)

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

10 topics

considered the most relevant make up the current LATAM materiality matrix.

GUIDELINES OF THE GRI STANDARDS

- Context
- Balance
- Thoroughness
- Materiality
- Stakeholder inclusion

MATERIAL TOPICS [102-40, 102-42 and 102-43]

The 2019 Integrated Report includes the contents related to the most relevant topics for the business, defined in the most recent materiality process, completed early in 2018. During the process, the main economic, environmental, and social impacts of the business were analyzed, and various LATAM stakeholders were surveyed. The survey of employees, clients, and suppliers alone totaled close to 2,400 answers.

After gathering the data, the most relevant (material) topics were prioritized, considering a comparison of the level of relevance (stakeholders' view) and the level of impact (view of LATAM senior management and material topics identified by the SASB). Lastly, the materiality matrix was validated by the CEO.

The matrix comprises ten material topics. The publication shows how the Group manages each topic and the performance achieved in 2019, measured through GRI and SASB indicators, and other monitoring systems that LATAM has adopted.

In a transversal approach to the material topics, its management also includes monitoring aspects such as management with ecoefficiency, reduction of noise and other emissions, and value chain.

Online survey
1,285 employees
1,044 customers
68 suppliers

[102-40]

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

1 The selection of the stakeholders consulted was conducted in accordance with LATAM's Sustainability Policy. The groups with which LATAM interacts directly or indirectly and that are impacted positively or negatively by its activities were taken into consideration.

2 Banco de Chile (Citi in the US); JP Morgan; Deutsche Bank; Santander; Larraín Vial; Raymond James; and BTG Pactual.

3 América Solidaria; TECHO; Chilenter; Fundacion la Nacion; Fundación Sí; Cimientos; SAFUG (Sustainable Aviation Fuel Users Group); Junior Achievement; Amigos do Bem; Make a wish; Instituto Rodrigo Mendes; Operación Sonrisa Colombia; Operación Sonrisa Peru; and Fundación Pachacutec.

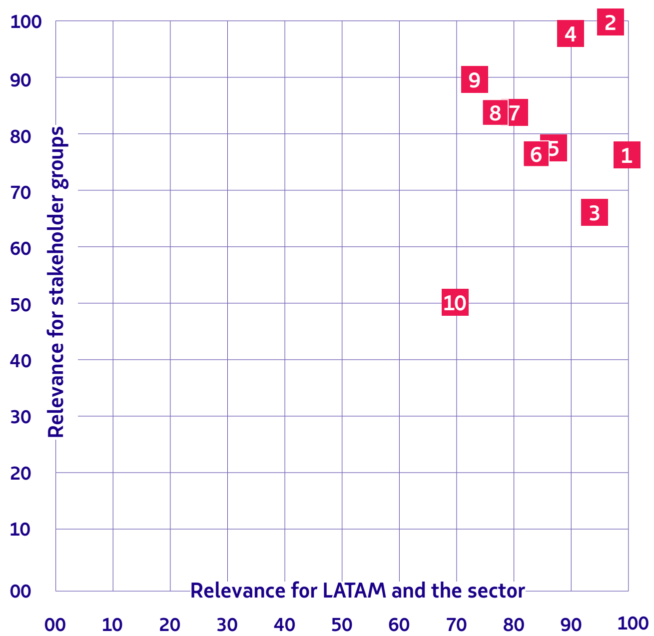
4 AC Chile (Civil Aeronautics Board); Nuevo Pudahuel – Chile; Easter Island Municipality – Chile; ANAC Argentina (Administración Nacional de Aviación Civil); ANAC Brasil (Agência Nacional de Aviação Civil); SAC Brasil (Secretaria Nacional de Aviação Civil); INFRAERO Brasil; Aerocivil Colômbia (Aeronautica Civil – Unidad Administrativa Especial); CNAC Ecuador (Consejo Nacional de Aviación Civil); and DGAC Peru (Dirección General de Aeronáutica Civil).

5 China Airlines; Gol; Lufthansa; ANA (All Nippon Airways); Delta Airlines; and Airfrance/KLM.

6 IATA (International Air Transport Association); ALTA (Latin American and Caribbean Air Transport Association); Amcham Chile (American Chamber of Commerce); Idea (Instituto para el Desarrollo Empresarial de la Argentina); JURCA (Cámara de las Compañías Aéreas em Argentina); ABEAR (Associação Brasileira das Empresas Aéreas); ABRABA (Aliança Brasileira Para Biocombustíveis de Aviação); ATAC (Asociación del Transporte Aéreo en Colombia); ARLAE (Asociación de Representantes de Líneas Aéreas en el Ecuador); and AETAI Peru (Asociación de Empresas de Trasporte Aéreo Internacional).

7 SASB (Sustainability Accounting Standards Board) – Airlines Materiality Map; GRI (Global Reporting Initiative) — Sustainability Topics for Sectors: *What do stakeholders want to know?* – Air Transportation – Airlines; and DJSI Company Benchmark Report.

LATAM Materiality matrix [102-47]



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

GRI content index [102-55]

TOPIC	DISCLOSURE	OMISSIONS	PAGE/RESPONSE
	101 FOUNDATION 2016		
	102 GENERAL DISCLOSURES 2016		
Profile	**102-1** Name		11
	102-2 Activities, brands, products and services		The main services offered are the transportation of passengers and cargo, and the frequent flyer program; there are no cases of banned services in any of the markets operated. A full description is provided on pages 11, 12, 13, 20, 21, 22, 23, 24 and 25.
	102-3 Location of headquarters		Chile
	102-4 Location of operations		23, 24, 120
	102-5 Ownership and legal form		28
	102-6 Markets served		11, 23, 24
	102-7 Scale of the organization		11, 59
	102-8 Information on employees and other workers		92, 93
	102-9 Supply chain		65
	102-10 Significant changes in the organization and its supply chain		35, 67
	102-11 Precautionary principle		LATAM does not formally adopt the principle of precaution, but it does incorporate potential operational impacts and risks to consumers and the company into its planning. All the group's services – routes, schedules, maintenance activities, and loyalty programs – are in compliance with the applicable legislation.
	102-12 External initiatives		76
	102-13 Membership of associations		76, 137

TOPIC	DISCLOSURE	OMISSIONS	PAGE/RESPONSE
Strategy	**102-14** Statement from senior decision maker		8
Ethics and integrity	**102-16** Values, principles, standards and norms of behaviour		29
	102-17 Mechanisms for advice and concerns about ethics		28
Governance	**102-18** Governance structure		30
Stakeholder engagement	**102-40** List of stakeholder groups		30, 45, 108, 109
	102-41 Collective bargaining agreements	At the time of publication of this Report, this information was still not available.	
	102-42 Identifying and selecting stakeholders		108
	102-43 Approach to stakeholders engajement		In addition to the approach described in Report and Materiality, management of LATAM's routine relations with stakeholders is presented in the chapters Suppliers, Customers, Employees and Society.
	102-44 Key topics and concerns raised		162
Reporting practices	**102-45** Entities included in the consolidated financial reports		All the subsidiaries were covered by the report.
	102-46 Defining report content and topic boundaries		108
	102-47 List of material topics		46, 47, 48, 109
	102-48 Restatements of information	The financial information for years 2017 and 2018 presented on pages 5 and 59 has been restated per International Financial Reporting Standards – IFRS 2016.	
	102-49 Changes in reporting		None.
	102-50 Reporting period		108
	102-51 Date of most recent report		Date of most recent report: April 2019.
	102-52 Reporting cycle		Annual.
	102-53 Contact point for questions regarding the report		4 Contact point for questions regarding the report: *investorrelations@LATAM.com* and *sostenibilidad@LATAM.com*.
	102-54 Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards, Core option.
	102-55 GRI content index		110
	102-56 External assurance		108, 117

TOPIC	DISCLOSURE	OMISSIONS	PAGE/RESPONSE	SDG
	103 MANAGEMENT APPROACH 2016 (for all occurrences)			
	TOPIC-SPECIFIC STANDARDS 2016 (for all occurrences)			
Economic performance	**103-1** Explanation of the material topic and its boundaries		56, 61, 79, 162	
	103-2 The management approach and its components		57	
	103-3 Evaluation of the management approach		57, 76	
	201-1 Direct economic value generated and distributed		59	
	201-2 Financial implications and other risks and opportunities due to climate change		79	
Indirect economic impacts	**103-1** Explanation of the material topic and its boundaries		100, 162	
	103-2 The management approach and its components		100	
	103-3 Evaluation of the management approach		100	
	203-1 Infrastructure investments and services supported		100	
	203-2 Significant indirect economic impacts		101	
Anti-corruption	**103-1** Explanation of the material topic and its boundaries		29, 30, 162	
	103-2 The management approach and its components		29, 30	
	103-3 Evaluation of the management approach		29, 30	
	205-2 Communication and training in anti-corruption policies and procedures		30	
	205-3 Confirmed incidents of corruption and actions taken		No relevant cases on the matter. We should note that LATAM uses the definition of corruption from the Foreign Corrupt Practices Act (FCPA), according to which an act of corruption is incurred when there is an offer, promise, or authorization of payment, or a payment in fact, made to a public official, with the aim to induce the receiver to abuse their position, regardless of whether the corrupt act succeeds in its purpose.	
Anti-competitive behavior	**103-1** Explanation of the material topic and its boundaries		138, 162	16
	103-2 The management approach and its components		138, 139, 140, 141	
	103-3 Evaluation of the management approach		138	
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		There were no significant fines — worth over US$50 million, or that can paralyze the operation.	

SDG: Sustainable Development Goals

The correlation of GRI contents and SDGs is based on the GRI's Business Reporting on the SDGs, and the Global Compact, and on an internal analysis performed by LATAM.

TOPIC	DISCLOSURE	OMISSIONS	PAGE/RESPONSE	SDG
Energy	**103-1** Explanation of the material topic and its boundaries		78, 162	
	103-2 The management approach and its components		76	
	103-3 Evaluation of the management approach		77	
	302-1 Energy consumption within the organization		85	
	302-3 Energy intensity		86	
	302-4 Reduction of energy consumption		80	
Water	**103-1** Explanation of the material topic and its boundaries		77	
	103-2 The management approach and its components		84, 85, 86	
	103-3 Evaluation of the management approach		84, 85, 86	
	303-1 Water withdrawal by source		86	
Emissions	**103-1** Explanation of the material topic and its boundaries		77, 162	
	103-2 The management approach and its components		76, 77, 78, 79, 90, 81, 82, 83, 84	
	103-3 Evaluation of the management approach		76, 77, 78, 79, 90, 81, 82, 83, 84	
	305-1 Direct (Scope 1) GHG emissions		160	
	305-2 Energy indirect (Scope 2) GHG emissions		160	
	305-3 Other indirect (Scope 3) GHG emissions		160	
	305-4 GHG emissions intensity		160	
	305-5 Reduction of GHG emissions		77	
	305-6 Emissions of ozone-depleting substances (ODS)		80	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		80	

SDG: Sustainable Development Goals

The correlation of GRI contents and SDGs is based on the GRI's Business Reporting on the SDGs, and the Global Compact, and on an internal analysis performed by LATAM.

TOPIC	DISCLOSURE	OMISSIONS	PAGE/RESPONSE	SDG
Effluents and waste	**103-1** Explanation of the material topic and its boundaries		84	
	103-2 The management approach and its components		84, 85	
	103-3 Evaluation of the management approach		84, 85	
	306-2 Waste by type and disposal method		85	
Environmental compliance	**103-1** Explanation of the material topic and its boundaries		154, 162	
	103-2 The management approach and its components		76	
	103-3 Evaluation of the management approach		76	
	307-1 Non-compliance with environmental laws and regulations		LATAM has received no significant monetary penalties or fines; that is, with values exceeding US$10,000.	
Supplier environmental assessment	**103-1** Explanation of the material topic and its boundaries		68	
	103-2 The management approach and its components		66, 67, 68	
	103-3 Evaluation of the management approach		66, 67, 68	
	308-2 Negative environmental impacts in the supply chain and actions taken		66	
Employment	**103-1** Explanation of the material topic and its boundaries		88, 162	
	103-2 The management approach and its components		88, 89, 90	
	103-3 Evaluation of the management approach		90	
	401-1 New employees hires and employee turnover		90, 91	
Occupational health and safety	**103-1** Explanation of the material topic and its boundaries		94, 162	
	103-2 The management approach and its components		94	
	103-3 Evaluation of the management approach		94	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		94, 161	

SDG: Sustainable Development Goals

The correlation of GRI contents and SDGs is based on the GRI's Business Reporting on the SDGs, and the Global Compact, and on an internal analysis performed by LATAM.

TOPIC	DISCLOSURE	OMISSIONS	PAGE/RESPONSE	SDG
Training and education	**103-1** Explanation of the material topic and its boundaries		88, 162	
	103-2 The management approach and its components		88, 89	
	103-3 Evaluation of the management approach		88, 89	
	404-1 Average hours of training per year per employee		89	
Supplier social assessment	**103-1** Explanation of the material topic and its boundaries		68	
	103-2 The management approach and its components		66, 67, 68	
	103-3 Evaluation of the management approach		66, 67, 68	
	414-2 Negative environmental impacts in the supply chain and actions taken		66	
Public policy	**103-1** Explanation of the material topic and its boundaries		45, 162	
	103-2 The management approach and its components		45	
	103-3 Evaluation of the management approach		45	
	415-1 Political contributions		30	
Marketing and labeling	**103-1** Explanation of the material topic and its boundaries		28, 162	
	103-2 The management approach and its components		28, 29	
	103-3 Evaluation of the management approach		28, 29	
	417-3 Incidents of non-compliance concerning marketing communications		There were no significant fines; that is, worth over US$50 million, or that could paralyze the operation or affect the Group's image.	
Socioeconomic compliance	**103-1** Explanation of the material topic and its boundaries		28, 162	
	103-2 The management approach and its components		28, 29	
	103-3 Evaluation of the management approach		28, 29	
	419-1 Non-compliance with laws and regulations in the social and economic area		There were no significant fines; that is, worth over US$50 million, or that could paralyze the operation or affect the Group's image.	

SDG: Sustainable Development Goals

The correlation of GRI contents and SDGs is based on the GRI's Business Reporting on the SDGs, and the Global Compact, and on an internal analysis performed by LATAM.

Global compact

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

The table below shows the location, within this document, of the main actions developed.

HUMAN RIGHTS

1 *Support and respect the protection of internationally proclaimed human rights.* (page 50)

2 *Ensure non-complicity in human rights abuses* (page 50)

LABOR

3 *Uphold the freedom of association and the effective recognition of the right to collective bargaining* (page 89)

4 *Support the elimination of all forms of forced and compulsory labor* (pages 50 and 66)

5 *Support the effective abolition of child labor* (pages 50 and 66)

6 *Eliminate discrimination in respect of employment and occupation* (page 28)

ENVIRONMENT

7 *Support a precautionary approach to environmental challenges* (from the page 75)

8 *Undertake initiatives to promote greater environmental responsibility* (pages 45, 76, 84 and 85)

9 *Encourage the development and diffusion of environmentally friendly technologies* (page 82)

ANTI-CORRUPTION

10 *Work against corruption in all its forms, including extortion and bribery* (pages 28, 29 and 30)

Deloitte.

[102-56]

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INDEPENDENT REVISION REPORT OF LATAM INTEGRATED REPORT 2019

Mr.
Enrique Guzmán
Sustainability Senior Manager
Present

Dear Mr. Guzmán,
Please find herein the outcomes of the revision of LATAM´s Integrated Report 2019 according to the following aspects:

Scope
Limited assurance engagement of the adherence of the contents and indicators included in the 2019 Integrated Report to the Global Reporting Initiative (GRI) Standards, regarding the organization's profile and material indicators arising from the materiality process that the Company carried out following said Standards related to the economic, social, and environmental dimensions.

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

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

· Meeting with Sustainability management.
· Requirements and review of evidence with the areas participating in the preparation of the 2019 Integrated Report.
· Analysis of the adherence of the contents of the 2019 Integrated Report to the GRI Standards: Core option, and review of the indicators included in the report in order to verify that they are aligned with the protocols established in the Standards, and whether the fact that some indicators are not applicable or not material is justified.
· Verification, through tests of quantitative and qualitative information corresponding to the GRI Standards indicators included in the 2019 Report, and its adequate gathering from the data provided by LATAM information sources.

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

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

· Regarding the verified indicators, we can say that no aspect has arisen to lead us to believe that the Integrated Report 2019 LATAM has not been prepared in accordance with the GRI Standards in those areas identified in the scope.

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

LATAM Management and Deloitte Responsibilities
· The drafting of the 2019 Integrated Report, as well as its contents are under LATAM responsibility, which is in charge of the definition, adaptation, and maintenance of the management and internal control systems from who the information is obtained.
· Our responsibility is to issue an independent report based on the procedures applied in our review.
· This report has been prepared exclusively by LATAM's request, in accordance with the terms established in the Engagement Letter.
· We have developed our work according to the standards of Independence established in the Code of Ethics of the IFAC.
· The conclusions of the verification made by Deloitte apply to the latest version of the LATAM Integrated Report received on April 06, 2020.
· The scope of a limited assurance engagement is essentially inferior to a reasonable assurance engagement, thus, we are not hereby providing opinion about the 2019 LATAM Integrated Report.

Fernando Gaziano
Partner
April 6, 2020

Glossary

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

APPENDICES

IN THIS CHAPTER

WHO WE ARE

Historical record: 74.2 million passengers transported in 2019

LEGAL INCORPORATION

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

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

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

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

COMPANY PURPOSE

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

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

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

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

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

PROPERTY, PLANT, AND EQUIPMENT [102-3 and 102-4]

CHILE

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

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

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

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

BRAZIL

· **Headquarters:** The main facilities of LATAM Airlines Brazil are located in the city of São Paulo, in hangars located in the Congonhas Airport and its surroundings, which are leased from Infraero, the local airport administrator. The Service Academy is also near the airport; this is where the selection, training, and simulation processes, as well as medical care, are carried out.

Maintenance Base: The MRO base is in São Carlos, within São Paulo. Its activities and capacity are described on *page 18*. In addition to that unit, LATAM Brazil also has spaces for aircraft maintenance, acquisition, and logistics of aeronautical materials within the hangars of the Congonhas airport.

Historical record: 74.2 million passengers transported in 2019

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

OTHER LOCALITIES

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

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

CORPORATE INFORMATION

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

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

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

Investor relations
Investor Relations | LATAM Airlines Group S.A.
5711 Presidente Riesco Ave., 20th floor
Las Condes, Santiago, Chile
Phone: (56) (2) 2565 2525
E-mail: investorRelations@LATAM.com

Shareholder queries
Central Securities Depository
1730 Los Conquistadores Ave., 24th floor, Providencia
Santiago, Chile
Phone: (56) (2) 2393 9003
E-mail: atencionaccionistas@dcv.cl

ADR depositary bank
JPMorgan Chase Bank, N.A.
P.O. Box 64504
St. Paul, MN 55164-0504
General phone: (800) 990-1135
Phone: Outside the US (651) 453-2128
Phone: Global Invest Direct (800) 428-4237
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ADR custodian bank
Banco Santander Chile
Bandera 140, Santiago
Custody Department
Phone: (56) (2) 2320 3320

Independent auditors
PwC
2711 Andrés Bello Ave., 5th floor
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Phone: (56) (2) 2940 0000

Further information about LATAM Airlines Group
www.LATAMairlinesgroup.net
www.LATAM.com

CORPORATE GOVERNANCE

Governance structure

BOARD – COMPOSITION AND RÉSUMÉS

IGNACIO CUETO PLAZA
Chairman of the Board
RUT: 7.040.324-2

Ignacio Cueto Plaza joined the Board of LATAM Airlines in April 2017 and was reelected in April 2019. He has a track record of over 30 years in the air transportation sector. In 1985, he took over as Vice-President of sales at Fast Air Carrier, back then, the main cargo airline in Chile. From 1995 to 1998, he was the CEO of LAN CARGO. In 1999, he took over as general manager of passengers at LAN, and in 2005, he became the general director of the company. After that, he was the CEO of LAN until 2017. He headed the creation of the LAN Airlines subsidiaries (Peru, Argentina, Ecuador, and Colombia) and of alliances with other airlines. Moreover he is a member of the Cueto Group, main shareholders of LATAM Airlines Group.

CARLOS HELLER SOLARI
Vice-chairman of the Board
RUT: 8.717.000-4

Entrepreneur Carlos Alberto Heller Solari joined the LATAM Airlines Board in May 2010 and was reelected in April 2019. He has broad experience in the transportation, retail, communications, and agriculture sectors. He is the chairman of the Bethia Group, which owns Axxion S.A. and Betlan Dos S.A., two companies with a significant stake in LATAM Airlines. He chairs the Boards of Red Televisiva Megavision S.A., Falabella Retail S.A., and Aero Andina S.A, among others.

JUAN JOSÉ CUETO PLAZA
Board member
RUT: 6.694.240-6

Juan José Cueto Plaza has been a member of the Board of LATAM Airlines since 1994 and was re-elected in April 2019. Since 1990, Juan Jose Cueto has acted as Executive Vice-President of Inversiones Costa Verde S.A., a company of the aeronautical sector. He also serves on the Boards of Costa Verde Aeronáutica S.A., Consorcio Maderero S.A., Inversiones del Buen Retiro S.A., Sinergia Inmobiliaria S.A., and Valle Escondido S.A., as well as on the Boards of Fundación Colunga and the San Sebastian University. Moreover he is a member of the Cueto Group, main shareholders of LATAM Airlines Group.

CORPORATE GOVERNANCE

Governance structure

BOARD – COMPOSITION AND RÉSUMÉS

HENRI PHILIPPE REICHSTUL
Board member
RUT: 48.175.668-5

Henri Philippe Reichstul joined LATAM's Board in April 2014 and was reelected in April 2019. He served as President of Petrobras and IPEA (Institute for Economic and Social Planning), and as Executive Vice President of Banco Inter American Express S.A. He is currently a member of the Boards of Grupo TAM and Repsol, among others. The executive holds a degree in Economics from the Faculty of Economics and Administration of the University of São Paulo, and a postgraduate degree in the same subject from Hertford College—Oxford University.

GILES AGUTTER
Board member
RUT: Foreigner

Giles Agutter joined the Board of LATAM Airlines in January 2017 and was reelected in April 2019. He is the owner and CEO of Southern Sky Ltd, an airline consulting company specializing in airline strategy, fleet planning, aircraft acquisition. and aircraft financing. He is also currently a member of the Board of Air Italy and JSX. He has had vast experience in advising airlines, including Qatar Airways, on significant merger and acquisition projects within the aviation industry. Mr. Agutter has a degree in Aerospace Engineering from Manchester University and he currently resides in England.

EDUARDO NOVOA CASTELLÓN
Board member
RUT: 7.836.212-K

Eduardo Novoa Castellon joined the LATAM Airlines Board in April 2017 and was reelected in April 2019. He currently also serves on the Boards of Cementos Bio-Bio, Grupo ECOMAC, STARS, and ESSAL. In the past, he was a member of the Boards of Esval, SQM, Grupo Drillco, Techpack, ENDESA – Americas, and of various startups. The executive is a graduate of Commercial Engineering from the University of Chile and has a postgraduate degree in Business Administration from the University of Chicago. He was a professor of finance and economy at various universities.

CORPORATE GOVERNANCE

Governance structure

BOARD – COMPOSITION AND RÉSUMÉS

NICOLAS EBLEN HIRMAS
Board member
RUT: 15.336.049-9

Nicolas Eduardo Eblen Hirmas joined the LATAM Airlines Board in April 2017 and was reelected in April 2019. He currently serves as CEO of Inversiones Andes SpA, a position he has held since 2010. In addition, he serves on the Boards of Granja Marina Tornagaleones S.A., Río Dulce S.A., Patagonia SeaFarms Inc., Salmon Chile AG, and Sociedad Agrícola La Cascada Ltda. He is an industrial engineer and holds a degree in Computer Science from the Pontifical Catholic University of Chile, with postgraduate studies in Business Administration from the Harvard University Business School.

SONIA VILLALOBOS
Board member
RUT: 21.743.859-4

Sonia Julia Sulzbeck Villalobos joined the Board of LATAM Airlines in August 2018 and was reelected in April 2019. She is a Brazilian citizen and a member of the Boards of Petrobras, where she chairs the Audit Committee, Telefonica Vivo, and OTP. She has been a founding member of Villalobos Consultoria since 2009 to date. Among other positions, she managed mutual funds and institutional funds for Larraín Vial AGF, in Chile, between 2005 and 2009. She holds a degree in Public Administration from EAESP/FGV in Brazil, and a Master's in Finance from the same institution. Moreover, Sonia holds a CFA certification, and is a member of the Board of the CFA Society in Brazil.

PATRICK HORN
Board member
RUT: 6.728.323-6

Patrick Horn García joined the Board of LATAM Airlines in April 2019. He is a member of the Economic Board and Dean of the Faculty of Engineering of the Andes University. Likewise, he is the chairman of non-profit organizations like Aportes Chile. He has over 35 years of experience as an executive in Chile and abroad in companies such as British American Tobacco, Unilever, Compañía Sudamericana de Vapores, and Grupo Ultramar, where he was also a subsidiary director. He holds a degree in civil industrial engineering from the Pontifical Catholic University of Valparaiso, and a masters' in the same field from the Georgia Institute of Technology.

CORPORATE GOVERNANCE

Governance structure

ANNUAL REPORT OF THE BOARD COMMITTEE'S ADMINISTRATION

Pursuant to item number 5 of section 8 of article 50 bis of Law N° 18.046 regarding Joint Stock Corporations, the Board Committee of LATAM Airlines Group S.A. (the "Company" or "LATAM") issues the following annual report of its administration during 2019.

I. Directors' Committee.

The Company's Board Committee comprises Messrs. Eduardo Novoa Castellón, Patrick Horn García, and Nicolás Eblen Hirmas, who are deemed independent members under US legislation. Under Chilean legislation, the former two are deemed independent members. The Board Committee is chaired by Mr. Eduardo Novoa Castellón.

The members were chosen in the Ordinary Shareholders' Meeting held on April 25, 2019, and they will hold office for a two-year term, pursuant to the provisions of the Company's bylaws.

II. Committee's Activity Report.

During 2019, the Board Committee held 17 meetings, in order to exercise their powers and fulfill their duties pursuant to Article 50 Bis of Law number 18,406 on Joint Stock Corporations, as well as to discuss the other affairs that the Board Committee deemed it necessary to examine, review, or evaluate.

Below, is a report of the main issues discussed.

Examination and review of balance sheet and financial statements

The Board Committee examined and reviewed the Company's financial statements as at December 31, 2018, as well as at the end of the quarters ended on March 31, June 30, and September 30, 2019, in extraordinary Board meetings held on March 12, May 16, August 13, and November 12, respectively, including the examination of the corresponding reports from the Company's external auditors, as explained below. *PriceWaterhouseCoopers* Consultores, Auditores y Cía. Limitada ("PWC") participated in three of these meetings to deliver their opinion as External Auditors of the Company. In addition, they reported the relevant points of their review, the main aspects of internal control, and the communications required by the External Auditor's regulator, including on each item the confirmation that (i) they encountered no difficulties to carry out the audit, (ii) they had no difference of opinion with Management, and (iii) no events arose that could pose a threat to their independence, presenting a list of the additional preapproved services hired by LATAM.

Review of reports on impairment of cash generating units

In the sessions held on March 11, May 16, August 12, and November 11, 2019, the Directors' Committee examined and analyzed the impairment test results of the Company's Air Transportation cash generating unit as at December 2018, and the impairment rates as at March 31, 2019, June 30, 2019, and September 30, 2019, respectively, concluding that there are no indications of impairment that would require the Company to perform additional tests aside from those dates, nor to carry out an accounting adjustment of assets.

Executive and workers' compensation systems

The Committee examined in the meeting held on January 21, 2019, the existing wage systems and compensation plans for the Company's main executives and workers. In it, they reported what the annual cash bonus payment and the long-term retention bonus are about, as well as how the bonus calculation works, including the current situation of the main executives.

Internal Audit

In the ordinary meetings held on January 21, March 11, April 8, June 10, and July 5, 2019, topics regarding the Internal Audit were reviewed. The status of the Internal Audit plan carried out during 2018 was reviewed, noting the number of projects tackled, the relevant aspects of the related task performed during 2018, the presentation of the audit reports where the highest risks were analyzed, the ratings of the 2018 plan, and the information on goal achievements. Likewise, the structure of the Internal Audit resources and the plan to be followed during 2019, reporting the various methodological aspects of the plan, were analyzed.

Audits under SOX standards

The Directors' Committee meetings dated January 21, March 11, July 5, and December 9, 2019, discussed the planning to be followed regarding SOX standards for certification during 2019. Thus, a report was issued including: the SOX certification results obtained during 2018, related relevant topics to be considered during 2019, Company projects that, due to their relevance, could have an impact regarding SOX standards, and a chronogram to be followed regarding this certification during 2019. Last, the statistics of the test controls in Chile and Brazil were reviewed, and the important topics and areas to achieve the certification were discussed.

External Auditing Services

External Audits Workplan

• In the meeting held on August 12, 2019, External Auditor PWC presented the workplan to be followed regarding the External Audit during 2019, discussing topics related to the regulatory requirements in terms of communication and project deliverables, the com-

CORPORATE GOVERNANCE

Governance structure

position of the PWC team rendering these services to the Company, the focus of the consolidated audit, the progress achieved throughout the year in the internal control review, the use of data analysis, the new auditor report model to be used for the 20-F in compliance with the provisions of standard PCAOB, and the chronogram of activities and communications that they will hold with Committee members. In the ordinary meeting held on December 9, the new auditor's report model to be used for the 20-F was presented.

· In the ordinary meeting held on July 5, 2019, External Auditors Ernst & Young ("EY"), in charge of the external audit of LATAM Brazil, discussed the team, scope, and work chronogram of the review, the results of the limited revision as at the first quarter of the year, the main issues to be tackled during 2019, the internal control-SOX issues, and the next steps to be followed.

External Auditing Additional Services

· In the Committee's extraordinary meeting held on March 25, 2019, the proposal for additional audit services presented by PWC was reviewed and approved to analyze the focus of LATAM's annual internal audit plan and the staff devoted to said task. The analysis was presented in an extraordinary meeting of the Directors' Committee held on April 15.

· In the meeting held on September 9, 2019, EY's fees for rendering their additional audit services regarding immigration processes were approved.

Corporate Risk Management and Sustainability Management
In the meeting held on September 9, 2019, the status of the corporate risk management model was presented, analyzing the goal of the model, the work methodology, the parameters of economic and reputational consequence, risk categories, the top 10 risks in the residual criticality map, the progress on the 2019 workplan, the summary of the risks materialized in LATAM or in the industry, and the next steps, emphasizing particularly the importance of the issue of cybersecurity in this and other industries.

In the session held on December 9, 2019, the status of the sustainability management at Grupo LATAM was presented, reviewing the strategy on this topic, which considers elements of governance, climate change, and corporate citizenry, as well as the progress on each of these elements, together with the methodology used and the main initiatives for the next year.

Security
In the Directors' Committee meetings held on April 8, September 9, October 11, and November 11, 2019, different topics related to information security were analyzed, including the analysis of the GRC-access control tool and the benefits related to its use in managing access, the PCI Compliance certification process, which provides the company with the necessary security to protect the data of its clients' credit and debit cards, and the review of the "safety" risk management model under the IATA's IOSA audit methodology.

Compliance
In the ordinary meetings held on March 11 and August 12, 2019, the Board Committee received reports on the *Compliance* Program currently in force in the Company, and on its main contents, including top management's commitment, the most relevant standards and laws for the Organization, the development of policies and rules, training and communications, controls of the status of the issue regarding Third Party Intermediaries (TPIs) by country, identification and management of *Compliance* risks, and a report on *Compliance* at the corporate level. An account of the action plans to be followed regarding the last TPI Internal Audit report was also rendered. In the meeting held on June 10, 2019, the team of firm BH Compliance reported on the MPD recertification program in force in the Company, rendering an account of certain legislative novelties that have arisen on the matter, resulting from the modification of the Law of legal entities' criminal liability, which increases from 4 to 8 the crimes identified therein. In the session held on September 9, 2019, a report was presented to the Committee regarding the MPD Model in force and the main action plans to be followed regarding this issue in the future. The presentation included the certification model used by LATAM, the current rules, and their historical evolution, the benefits of certification of this model, and the next steps to be followed.

LATAM Policies
In the Board Meetings held on January 21, March 11, June 10, and July 5, 2019, the Committee reviewed the various policies created or modified and approved throughout the year, including the policies on related-party transactions, complimentary tickets, social media, corporate credit cards, donations, the corporate network, Compliance controls, approval of additional services to be rendered by the External Auditors, and the updates to the crime prevention model.

Background screening related to the RPT Policy
In the Committee meetings held on April 8 and October 11, 2019, the reporting obligation established in the RPT Policy was fulfilled, informing the Directors' Committee on: (i) routine operations between LATAM Group and the affiliates where its stake is lower than 95%, (ii) the main transactions held between LATAM Group companies in general, and (iii) the transactions disclosed in the note included in the financial statements regarding related-party transactions.

CORPORATE GOVERNANCE

Governance structure

Corporate governance practices

In the Directors' Committee meetings held on January 21, March 11, November 11, and December 9, 2019, the workplan and the necessary adjustments to the questionnaire provided in Appendix I of the CMF's NCG 385 were reviewed, pursuant to which LATAM's corporate governance practices for the period are analyzed and examined, so that this document can then be submitted to the CMF in order to comply with said rules.

Training on matters of competition

In the ordinary meetings held on November 11, 2019, and December 9, 2019, Rego Consultores SpA, an external consultancy, made a presentation to the Committee members regarding the analysis and training of LATAM personnel involved in free competition issues. In the meeting held in November, they discussed the results of the updates to the work carried out regarding LATAM Colombia and LATAM Peru, bolstering the trainings regarding decision-making processes for the offer, pricing, incentives, and distribution of air travel tickets. In the meeting held in December, they discussed the results achieved in the international business and they were informed on the status of the work carried out on this issue in LATAM Ecuador, LATAM Argentina, and LATAM Chile, focusing on the distribution process.

Monitor Certification

In the Directors' Committee meetings held on May 16, October 11, and November 11, 2019, they reported on the process of the Monitor, declaring that, during this year, the Monitor certified that LATAM's anticorruption program was reasonably designed and implemented to prevent and detect violations of the anticorruption laws, the steps to be followed to receive the definitive certification of the DOJ Monitor, pursuant to the recommendations issued by the DOJ and the SEC, and they reported on the self-reporting process that was to be presented as the next step in the certification received from the DOJ Monitor.

Board Committee Recommendations

On the other hand, the Board Committee issued the recommendations stated further ahead in this annual management report regarding the appointment of the Company's External Auditors and private risk rating agencies for 2019.

Report of Activities by Board Committee Meeting

The Board Committee met and discussed the opportunities described below, with a brief list of the topics examined at each of these meetings:

1) Ordinary meeting N°195 01/21/2019

- Status of the Internal Audit Plan 2018.
- Status of SOX 2018 process.
- Legal Department issues.
- Company executive and worker wage systems and compensation plans.

2) Ordinary meeting N°196 03/11/2019

- Status of the Internal Audit Plan 2018.
- Analysis of the Internal Audit Resource Structure and Plan 2019.
- Comptrollership topics prior to the approval of the Financial Statements as at December 31, 2018.
- Legal Department issues.
- Compliance matters.

3) Extraordinary meeting N°73 03/12/2019

- Review of Financial Statements at December 31, 2018.

4) Extraordinary meeting N°74 03/25/2019

- Analysis of PWC's Service Proposal.

5) Ordinary meeting N°197 04/08/2019

- Annual report of the Board Committee's administration.
- Proposal of external auditors and private risk rating agencies for 2019.
- Follow up of reports from the Internal Audit.
- Analysis of the DCP case in Brazil.
- Presentation on the RPT Policy.

6) Extraordinary meeting N°75 04/15/2019

- Analysis of the presentation by firm PWC regarding a diagnosis of the Internal Audit function.
- Analysis of requests to the Internal Audit.

7) Ordinary meeting N°198 05/16/2019

- Installing and Election of the Committee Chairman.
- Directors' Committee Functioning.
- Analysis of signs of impairment of cash generating unit Air Transportation and Multiplus.
- Reception of certification from the Monitor.

CORPORATE GOVERNANCE

Governance structure

8) Extraordinary meeting N°76 05/16/2019

• Review of Financial Statements up to March 31, 2019.

9) Ordinary meeting N°199 06/10/2019

• Reports and Plan from the Internal Audit.

• Presentation of adjustment proposals for some LATAM policies.

• BH Compliance presentation.

• Legal Department issues.

10) Ordinary meeting N°200 07/05/2019

• Internal Audit Plan.

• Presentation of external auditors EY.

• Legal Department issues.

• Planning of SOX 2019.

11) Sesión Ordinaria N°201 12/08/2019

• Analysis of the case in Brazil.

• Presentation by firm PWC.

• Analysis of signs of Impairment of Air Transport cash generating unit.

• Compliance matters.

12) Extraordinary meeting N°77 08/13/2019

• Review of Financial Statements up to June 30, 2019.

13) Ordinary meeting N°202 09/09/2019

• Internal Audit topics.

• Corporate Risk Management

• Presentation of tax matters.

• Use of GRC-Access Control tool.

• Crime Prevention Model.

• Other Legal issues.

• Approval of EY fees.

14) Ordinary meeting N°203 10/11/2019

• PCI Compliance certification.

• Reporting on RPT.

• Protocols for On-Board Medical Security.

• Internal Audit topics.

• Final DOJ Monitor topics.

15) Ordinary meeting N°204 11/11/2019

• IOSA Model management.

• Analysis of signs of impairment of Air Transport cash generating unit.

• Project for competitiveness training.

• Analysis of information required by CMF's NCG 385.

• Other Legal issues.

16) Extraordinary meeting N°78 11/12/2019

• Review of Financial Statements up to September 30, 2019.

17) Ordinary meeting N°205 12/09/2019

• Sustainability Management.

• Status of SOX 2019 Certification.

• Review of new External Auditor's report model.

• Analysis of information required by CMF's NCG 385.

• Project for competitiveness training.

III. Directors' Committee Compensation and Spending.

The Company's Ordinary Shareholders' Meeting held on April 25, 2019, agreed that each member of the Directors' Committee should receive the equivalent to 80 Unidades de Fomento (UF) as a monthly allowance for attending the Directors' Committee meetings, regardless of the number of meetings.

For purposes of the operation of the Directors' Committee and its advisors, Law number 18,046 on Joint Stock Corporations states that their spending budget must at least be equal to the annual compensation of the Committee members. In this sense, said Ordinary Shareholders' Meeting approved a budget of 2,880 UF.

As a result, the Directors' Committee's spending is related to the monthly allowance for attending the sessions and counseling fees as defined by the Directors' Committee.

During 2019, part of this budget was used to pay the fees of PWC for analyzing the criteria to design the Internal Audit plan, and the Company's team for this purpose.

IV. Director's Committee Recommendations.

IV.1 Proposal for Appointment of External Auditors.

In the Board Committee's meeting held on April 8, 2019, and pursuant to the contents of item 2), section eight of Article 50 Bis of Law number 18.046 regarding Stock Corporations, the Directors' Committee agreed to submit to the Board the External Auditors suggested at the Company's Ordinary Shareholders' Meeting held on April 25, 2019. Thus, after obtaining the result of the economic assessment and the technical assessment of the bidding process developed during 2018, the Committee decided to propose to the Company's Board the recommendation of the following two alternatives: (1) PWC for the parent company, EY for Brazil, and PWC for the SSC; and (2) EY for Chile and Brazil and Crowe for the SSC. Next, the Board declared as the winners of the bidding PWC for the parent company, EY for Brazil, and PWC for the SSC, and therefore recommended said firms during the corresponding Ordinary Shareholders' meetings in order to put to a vote the annual appointment of the firms for each Company for fiscal year 2019.

IV.2 Proposal of Private Risk Rating Agencies.

In its meeting held on April 8, 2019, and pursuant to the provisions of item 2) of section eight of article 50 bis of Law number 18.046 regarding Stock Corporations, the Directors' Committee agreed to submit to the Board the Risk Rating Agencies to be suggested at the Company's Ordinary Shareholders' Meeting to be held on April 25, 2019. Thus, the Committee decided to propose to the company's Board the appointment of rating agencies Fitch Chile Clasificadora de Riesgo Limitada, Feller-Rate Clasificadora de Riesgo Limitada, and Standard and Poor´s Ratings Chile Claisificadora de Riesgo Limitada. As for the international risk rating, the Board Committee agreed to propose to the Board the appointment of agencies Fitch Ratings, Inc., Moody's Investors Service, and Standard & Poor's Ratings Services.

MAIN EXECUTIVES

ENRIQUE CUETO PLAZA
CEO LATAM Airlines Group
RUT: 6.694.239-2

Enrique Cueto Palza has been the CEO of LATAM Airlines since the combination of LAN Airlines and TAM Linhas Aéreas in June 2012. Between 1983 and 1993, he was the general manager of Fast Air, a Chilean cargo airline. From 1993 to 1994, he was a member of the Board of LAN Airlines, and later, CEO of LAN, a position he held until 2012. He is a member of the Board of the International Air Transport Association (IATA), and the Board of the Endeavour Foundation, an organization that fosters entrepreneurship in Chile, as well as a member of the Executive Committee of the Latin American and Caribbean Air Transport Association (ALTA).

PAULO MIRANDA
Clients Vice-president
RUT: Foreigner

Paulo Miranda has been the Clients Vice-President of LATAM Airlines since May 2019. He has a professional track record of over 20 years in the aviation industry and he has worked for different airlines in the US and Brazil. In his last position prior to joining LATAM, he was responsible for the customer experience department. Before, he worked in finance, alliances and negotiations, and implementation of business agreements (Joint Business Agreements or JBAs). Paulo Miranda holds a degree in Business Administration from the University of Minnesota, US.

RAMIRO ALFONSÍN
Chief Financial Officer
RUT: 22.357.225-1

Ramiro Alfonsin has been the Vice-President of Financial at LATAM Airlines Group since July 2016. Prior to joining LATAM, he worked 16 years for ENDESA, a leading company in the generation and distribution of energy in Spain, Italy, and Chile. At this company, he was the general assistant manager and director of Finance for their operations in Latin America. Prior to joining the public service sector, he worked for 5 years in Investment and Corporate Banking at large European banks. Mr. Alfonsin holds a degree in Business Administration from the Pontifical Catholic University of Argentina.

CORPORATE GOVERNANCE

Governance structure

MAIN EXECUTIVES

ROBERTO ALVO
Chief Commercial Officer
RUT: 8.823.367-0

Roberto Alvo Milosawlewitsch has been the CCO of LATAM Airlines since May 2017. He was formerly the senior vice-president of International and Alliances and vice-president of Corporate Functions at LATAM. He joined LAN Airlines in November 2001, serving as director of Administration and Finance of LAN Argentina, as Manager of Development and Financial Planning at LAN Airlines, and as Assistant Manager of Finance at LAN Airlines. Prior to joining the group, he worked at Sociedad Química y Minera de Chile S.A. He is a civil engineer, and holds an MBA from IMD in Lausanne, Switzerland.

HERNÁN PASMAN
Chief Operating Officer
RUT: 21.828.810-3

Hernan Pasman has been the Vice-president of Operations of LATAM Airlines since October 2015. He joined LAN Airlines in 2005, as head of Management Planning and Control of the technical departments. From 2007 to 2010 he was the COO of LAN Argentina, and as of 2011, he became the General Manager of LAN Colombia. Formerly, he was a consultant at McKinsey & Company in Chicago and held positions at Citicorp Equity Investments, Telefónica, and Motorola in Argentina. He holds a degree in Civil Engineering from the Buenos Aires Technological Institute (ITBA), with an MBA from the Kellogg Graduate School of Management.

JUAN CARLOS MENCIÓ
Legal Vice-president
RUT: 24.725.433-1

Juan Carlos Menció has been the Vice-president of Legal Affairs and Compliance at LATAM Airlines Group since September 2014. Since 1998, he acted as legal director for LATAM Airlines Group and its related companies, for its operations in North America and for its cargo operations worldwide. Prior to joining LATAM, Juan Carlos Menció was in private practice in New York and Florida, representing various international airlines. The executive holds a degree in International Finance and Marketing from the Miami University and a PhD from Loyola University.

MAIN EXECUTIVES

EMILIO DEL REAL
Human Rights Vice-President
RUT: 9.908.112-00

Emilio del Real Sota is the Vice-president of Human Resources at LATAM Airlines, a position he has held since August 2005. Between 2003 and 2005, he was the Human Resources Manager of D&S, a Chilean retail company. Between 1997 and 2003 he held several positions at consumer goods multinational Unilever, including Human Resources Manager of Unilever Chile, manager of Executive Development for Customer Management in Latin America, and Manager of Training and Recruitment. He holds a degree in Psychology from the Gabriela Mistral University.

Ownership structure

SHAREHOLDERS' AGREEMENT

Following the combination between LAN and TAM in June 2012, LAN Airlines S.A. was transformed into "LATAM Airlines Group S.A." and TAM continues to exist as a subsidiary Holdco I and LATAM. In order to execute this combination, TAM's controlling shareholders created four new closely-held stock companies pursuant to Chilean law: TEP Chile, Holdco I, Holdco II and Sister Holdco. Upon execution of the above-referred transaction, Holdco II and Sister Holdco ceased to exist.

Prior to such business combination, LATAM Airlines Group and its controlling shareholders executed several shareholders' agreements with TAM, its shareholders (acting through TEP Chile) and Holdco I, thus establishing agreements and restrictions related to corporate governance in an attempt to balance the interests of the LATAM Airlines Group, as the owner of substantially all economic rights in TAM, and TAM's controlling shareholders, as the continuing controlling shareholders of TAM pursuant to Brazilian law. In order to achieve these objectives, the various shareholders' agreements prohibited undertaking certain actions and making important corporate decisions without the prior approval of a qualified majority of its shareholders and/or the Board of Directors of Holdco I or TAM. Moreover, these shareholders' agreements also establish the parties' covenants regarding the governance and management of the LATAM Airlines Group, subsequent to the combination of LAN and TAM businesses.

The LATAM Group's governance and management
Insofar as the governance and management of the LATAM Group is concerned, there are different shareholders' agreements:

1. Shareholders' agreement of the controlling group: executed between the controlling shareholders of LATAM and TEP Chile, establishing agreements with respect to the corporate governance, control and operation of LATAM, Holdco I, TAM and their respective subsidiaries. It also governs the votes and transfers of the ordinary shares of the LATAM Airlines Group and the voting shares of Holdco I owned by TEP Chile.

2. Shareholders' agreement between the LATAM Airlines Group and TEP: executed between LATAM and TEP Chile; wherein, among other subject matters, it establishes agreements regarding the corporate governance, management and operation of LATAM. It also governs the relationships between LATAM and other LATAM Group members.

3. Shareholders' agreement of Holdco I: executed between LATAM, Holdco I and TEP Chile establishing agreements with respect to the corporate governance, management and operation of Holdco I, as well as the votes and transfer of the voting shares of Holdco I.

CORPORATE GOVERNANCE

Ownership structure

4. Shareholders' agreement of TAM: executed between LATAM, Holdco I, TAM and TEP Chile, establishing the agreements related to the corporate governance, management and operation of TAM and its subsidiaries.

Following the combination of the business of LAN and TAM, the Holdco I and the TAM shareholders' agreements establish the covenants between the parties with respect to the governance and management of Holdco I, TAM and its subsidiaries (collectively, the "TAM Group").

Following are the key provisions of the Shareholders' agreements referred to in paragraphs 1 and 2 above. It is important to note, however, that the rights and obligations of the members of the Controlling Group are indeed governed by the terms and conditions of such shareholders' agreements and not by the summary of any of such agreements contained in this integrated report.

Board membership of the LATAM Airlines Group
Since April 2017, there no restrictions in the Shareholders agreement in regards to the Board Member of LATAM Airlines Group. Once chosen the board members, in compliance with the Chilean regulation, LATAM Airlines Group's board has the right to designate any of its members as the Chairman thereof, in compliance the governing statues. Thereby, in May 2017, Mr. Ignacio Cueto Plaza was voted Chairman of the Board. In April 2017, Mr. Mauricio Amaro left the Board of LATAM Airlines Group, with Mr. Henri Philippe Reichstul being re-elected as board member in April 2017 with the votes of TEP Chile S.A., in compliance with the local regulation.

Management of the LATAM Airlines Group
In June 2012, Enrique Cueto Plaza became LATAM's CEO ("LATAM CEO"). The position of LATAM CEO is the top-ranking position in the LATAM Airlines Group, who reports directly to the LATAM's Board of Directors. The LATAM CEO is in charge of overall supervision, direction and control of the LATAM Airlines Group's business and certain other responsibilities set forth in the Shareholders' Agreement of the LATAM Airlines Group and TEP. Upon the eventual departure of LATAM's current CEO, the LATAM Board of Directors will appoint his successor after receiving a recommendation from the Leadership Committee.

The main headquarters of the LATAM Airlines Group are still located in Santiago, Chile.

Following are the key provisions of the Shareholders' agreements referred to in the preceding paragraphs 3 and 4. It is important to note, however, that the rights and obligations of the members of the Controlling Group are indeed governed by the terms and conditions of such shareholders' agreements and not by the summary of any of such agreements contained in this integrated report.

Board membership of HOLDCO I and TAM
The shareholders' agreement of Holdco I and the shareholders' agreement of TAM provide, in general terms, identical board memberships and the same Holdco I and TAM CEO; whereupon LATAM appoints two board members and TAM appoints four board members (including the Chairman of the Board).

Maria Cláudia Oliveira Amaro resigned from her position as board member on September 8, 2014 and in her replacement, the Board appointed, Mr. Henri Philippe Reichstul. TAM's Board membership was totally renewed on April 2015.

The shareholders' agreement of the controlling group establishes that the persons elected by or on behalf of LATAM's controlling shareholders or TAM's controlling shareholders, as board members of LATAM's Board of Directors, will also serve as members of the Board of Directors of Holdco I and TAM.

Management of HOLDCO I and TAM
The affairs and day-to-day business of Holdco I shall be managed by the CEO of the TAM Group under the supervision of the Board of Directors of Holdco I. The affairs and dayto-day business of TAM will be managed by the Board of Directors of TAM under the supervision of the Board of Directors of TAM. The "TAM Board" shall be comprised of the TAM Group's CEO, TAM's CFO, TAM's COO and TAM's CCO. Currently, the position of TAM CEO is being performed by Ms. Claudia Sender. The TAM Group's CEO will be in charge of overall supervision, direction and control over the business and operations of the TAM Group (on matters not related to the LATAM Group's international passenger business) and will perform all orders and resolutions issued by TAM board members. The initial TAM CEO, "CFO of TAM'S CFO" has been jointly appointed by LATAM and TEP Chile and any successor of the CFO shall be designated by TEP Chile from among three candidates proposed by LATAM. The TAM COO, "TAM's COO", and the commercial manager of TAM, "TAM's CCO", shall be jointly appointed and recommended to TAM's Board of Directors by the CEO of the TAM Group and TAM's CFO; additionally, he/she must be approved by TAM's Board of Directors. These shareholders' agreements also govern the composition of the board of directors of TAM's subsidiaries.

Following the combination, TAM still has its main headquarters located in São Paulo, Brazil.

Actions requiring qualified majority votes
Certain actions of Holdco I or TAM require approval by a qualified majority of the board or the shareholders of Holdco I or TAM; which, indeed require the approval of LATAM and TEP Chile before such actions can be carried out.

CORPORATE GOVERNANCE

Ownership structure

Those actions requiring qualified majority votes by the boards of Holdco I or TAM are the following:

• approving the annual budget and business plan and the multi-year business (collectively known as the "Approved Plans"), and also the amendments to these plans;

• carrying out or agreeing to carry out any action that causes, or that may reasonably cause, individually or in aggregate form any capital, operational or other costs of any TAM company and its subsidiaries greater than (i) the lesser of 1% of revenues or 10% of the profits under the Approved Plans, with respect to actions affecting income statement items; or (ii) the lesser of 2% of assets or 10% of cash and cash equivalents (as defined by the IFRS) as established in the provisions of the Approved Plans and in effect, in relation to actions affecting the cash flow statement;

• the creation, disposal or admission of new shareholders in one of the subsidiaries of the relevant company, except to the extent that it is expressly contemplated in the Approved Plans;

• approving the acquisition, disposal, modification or encumbrance by any TAM company of any assets above $15 million or of any share value or securities convertible into shares of any TAM company or of the Company, except to the extent that it is expressly contemplated in the Approved Plans;

• approving any investment in assets not related to the corporate purpose of any TAM company, except to the extent that it is expressly contemplated in the Approved Plans;

• executing any contract amount in excess of $15 million, except to the extent that it is expressly contemplated in the Approved Plans;

• executing any contract related to the distribution of profits, company associations, business collaborations, alliance memberships, code-sharing agreements, with the exception of those approved in the business plans and budget, except to the extent that they are expressly contemplated in the Approved Plans;

• setting, modifying or waiving any right or claim of a relevant company or its subsidiaries in excess of $15 million, except to the extent that it is expressly contemplated in the Approved Plans;

• starting, participating in, committing or establishing any important action with respect to any litigation or legal proceeding in excess of $15 million, related to the relevant company, except to the extent that it is expressly contemplated in the Approved Plans;

• approving the execution, modification, termination or ratification of agreements with third parties, except to the extent that they are expressly contemplated in the Approved Plans;

• approving any financial statement, modifications, or any accounting policy, regarding dividends or taxes relevant to the company;

• approving the granting of any interest of securities or guarantees of third party obligations;

• appointing executives other than the CEO of Holdco I or the Board of Directors of TAM or re-electing TAM's current CEO or CFO; and

• approving any voting of the relevant company or its subsidiaries in their capacity as shareholders.

• Those actions requiring qualified majority votes by the shareholders are the following:

• approving any modification of the bylaws of any relevant company or its subsidiaries in relation to the following subject matters: (i) corporate objectives; (ii) corporate equity capital; (iii) rights inherent to each class of shares and their shareholders; (iv) the powers of ordinary shareholder meetings or limitations to the powers of the board of directors; (vi) the deadline; (vii) the change of the main headquarters of a relevant company; (viii) the composition, powers and commitments of the management of any relevant company; and dividends and other distributions;

• approving the dissolution, settlement or liquidation of a relevant company;

• approving the transformation, merger, division or any type of corporate reorganization of a relevant company;

• paying or distributing dividends or any other type of distribution to shareholders;

• approving the issue, withdrawal or amortization of debt instruments, shares or convertible securities;

• approving a disposal plan for the sale, encumbrance or other involving 50% or more of the assets, as determined by the previous-year balance sheet of Holdco I;

• approving the disposal for the sale, encumbrance or other involving over 50% of the assets of a Holdco I subsidiary representing at least 20% of Holdco I or approving to sell, encumber or dispose of shares in a manner such that Holdco I would lose control;

• approving the concession of interests over instruments of guarantees toward guaranteeing obligations in excess of 50% of the assets of a relevant company; and

• approving the execution, modification, terms or ratification of acts or agreements with related parties, but only in those cases in which the applicable law requires the approval of such matters.

Ownership structure

Voting agreements, transfers and other agreements
The controlling group of LATAM and TEP Chile has agreed, in the Shareholders' Agreement of the Controlling Group, to vote their respective ordinary LATAM Airlines Group shares as follows:

· until that moment, TEP Chile sells any of its ordinary LAN shares (other than the exempt shares, as defined herein below, and owned by TEP Chile), the Controlling Group of LATAM Airlines Group will vote its ordinary LATAM Airlines Group shares to elect to the Board of Directors of LATAM Airlines Group any person designated by TEP Chile, unless TEP Chile owns enough ordinary shares of LATAM Airlines Group in order to directly elect two board members of the LATAM Airlines Group;

· the parties agree to vote their ordinary LATAM Airlines Group shares to support the other parties in removing or replacing board members or others designated by the Board of LATAM Airlines Group;

· the parties agree to consult among them and make use of their good faith efforts to achieve agreements and act jointly in all actions (except in those actions that require majority approval pursuant to the Chilean law) and be considered by the Board of Directors of the LATAM Airlines Group or by the shareholders of the LATAM Airlines Group;

· the parties agree to maintain the size of the Board of Directors of the LATAM Airlines Group at a total of nine (9) board members and maintain the quorum required by the majority of the Board of Directors of the LATAM Airlines Group; and

· in case that, after endeavoring in good faith efforts aimed at reaching an agreement with respect to any action requiring a qualified majority vote pursuant to the Chilean law and a period of mediation, the parties do not reach such agreement, then, TEP Chile has agreed to give its vote to the subject matter requiring a qualified majority vote as indicated by the controlling shareholders of the LATAM Airlines Group; which we refer to as "direct vote".

The number of TEP Chile "exempt shares" means that the number of ordinary shares of the LATAM Airlines Group that TEP Chile owns immediately after the effective date in excess of 12.5% of the valid ordinary shares of LATAM Airlines Group shall be determined on the basis of a total dilution.

The parties to the Holdco I shareholders' agreement and to the TAM shareholders' agreement have agreed to vote their Holdco I voting shares and TAM shares so as to make effective the agreements related to the above-discussed representation of the board of directors of TAM.

Restrictions to the transfers
Pursuant to the Shareholders' Agreement of the Controlling Group, the controlling shareholders of the LATAM Airlines Group and TEP Chile are subject to certain restrictions regarding the sale, transfer and encumbrance of the ordinary shares of the LATAM Airlines Group and (only in the case of TEP Chile) the voting shares of Holdco I. With the exception of a limited amount of the ordinary shares of the LATAM Airlines Group, neither the controlling shareholders of the LATAM Airlines Group nor those of TEP Chile are authorized to sell the ordinary shares of the LATAM Airlines Group, nor can TEP Chile sell its shareholding rights to Holdco I until June 2015. Subsequently, the sale of the ordinary shares of the LATAM Airlines Group by any of the parties shall be allowed, subject to (i) certain limitations of volume and frequency of such sale, and (ii) only in the case of TEP Chile, the latter company must meet certain minimum property ownership requirements. After June 2022, TEP Chile shall be entitled to sell all its shares of the LATAM Airlines Group and shareholding rights over Holdco I in one block, subject to the following conditions: (i) LATAM Board's approval of the assignee; (ii) that the sale does not have an adverse effect; and (iii) that the preferred purchase option be in favor of the controlling shareholders of the LATAM Airlines Group; conditions to which we refer, collectively, as "block sale provisions". An "adverse effect" is so defined in the Shareholders' Agreement of the Controlling Group as a significant adverse effect in the capacity of Holdco I to receive the total benefits of the property ownership of TAM and its subsidiaries in order to operate the airline business worldwide. The controlling group of the LATAM Airlines Group has agreed to transfer all the voting shares of Holdco I acquired pursuant to LATAM's preferred purchase option, for the same price paid for such shares.

Additionally, TEP Chile is entitled to sell as of June 2015 all the ordinary shares of the LATAM Airlines Group and voting shares of Holdco I, subject to meeting the block sale clause, should a liberation event (as described previously) should occur or if TEP Chile is required to exercise one or more directed votes during any 24-month period in two (consecutive or not) shareholders' meetings of the LATAM Airlines Group held at least 12 months apart, and if the LATAM Airlines Group would not have totally exercised the conversion of options described previously. A "disclosure event" will occur if: (i) there is a capital increase of the LATAM Airlines Group; (ii) TEP Chile does not exercise all its preferred rights granted pursuant to the applicable Chilean law with respect to the capital increase in relation to all of LATAM Airlines Group's restricted ordinary shares; and, (iii) after completing the capital increase, the person designated by TEP Chile for the voting of the Board of Directors of the LATAM Airlines Group with the collaboration of the Controlling Group of the LATAM Airlines Group, is not elected as board member of the LATAM Airlines Group.

Additionally, after June 22, 2022 and before the

Ownership structure

capitalization date of the entire property (as described below under Section "Conversion option"), TEP Chile could sell all or part of its LATAM Airlines Group's ordinary shares, subject to: (i) the preferred option right in favor of LATAM's controlling shareholders; and (ii) the restrictions to the sale of ordinary shares of the LATAM Airlines Group more than once during a 12-month period.

The shareholders' agreement of the controlling group provides certain exceptions to these transfer restrictions for certain pledged shares of the LATAM Airlines Group realized by the parties and for transfers to subsidiary companies, in each case open to certain limited circumstances.

Additionally, TEP Chile accepted, in the Shareholders' Agreement of Holdco I, not to vote its Holdco I voting shares, or take any action in support of any transfer on the part of Holdco I of shares or convertible securities into shares issued by them or by TAM or by any of its subsidiaries without LATAM's prior written consent.

Restrictions to TAM shares transfers

LIn the Shareholders' Agreement of Holdco I, LATAM agreed not to sell or transfer TAM shares to any person (other than our subsidiaries), for as long as TEP Chile owns Holdco I voting shares. Without prejudice of the foregoing, LATAM shall be entitled to carry out such sales or transfers if, simultaneously with such sales or transfers, LATAM (or its assignee) would acquire all of Holdco I's voting shares owned by TEP Chile for an amount equal to TEP Chile's then in effect taxable base with respect to such shares and pay any cost in which TEP Chile might have to incur in order to carry out such sale or transfer. TEP Chile has irrevocable assigned to LATAM the assignable right to acquire all of Holdco I's voting shares owned by TEP Chile related to such sale.

Conversion option

Pursuant to the Shareholders' Agreement of the Controlling Group and the Shareholders' Agreement of Holdco I, LATAM is unilaterally entitled to convert our non-voting Holdco I shares into Holdco I voting shares up to the maximum allowed by law, and to increase our representation in the Boards of Directors of both TAM and Holdco I as permitted by the Brazilian laws that govern foreign property ownerships and by other applicable laws if the conversion would not have an adverse effect (as previously defined in the section on "Transfer Restrictions").

During or after June 2022, and after LATAM would have totally converted all its Holdco I non-voting shares into Hold I voting shares, as allowed by Brazilian laws and other applicable laws, LATAM shall be entitled to acquire all of Holdco I's voting shares owned by TAM's controlling shareholders for an amount equal to their taxable base with respect to such shares and pay any cost that might be incurred in order to materialize such sale; an amount to which we shall refer as "sale consideration". If LATAM does not exercise its right to acquire such shares on a timely basis, or if, after June 2022 LATAM should be entitled, pursuant to Brazilian laws and other applicable laws, to convert all of Holdco I's non-voting shares into Holdco I voting shares, and if such conversion would not have an adverse effect but we would not have exercised such right fully and totally during a specific period of time, then, the controlling shareholders of TAM would be entitled to offer us their Holdco I voting shares for an amount equal to the sale price.

Acquisition of TAM's shares

The parties hereto have agreed that all acquisitions of TAM's ordinary shares by the LATAM Airlines Group, Holdco I, TAM or any of their respective subsidiaries as of and after the effective date of business combination shall be carried out by Holdco I. Insofar as the main organs of Corporate Governance of the LATAM Airlines Group are concerned, they are: the Board of Directors and the Directors' Committee (which, additionally, embodies the functions of Audit Committee for the purposes of the Sarbanes-Oxley Act of the United States of America), along with the Committees of Strategy, Finance, Leadership and Product, Brand and Frequent Flyer Program created following the association between LAN and TAM. The main powers of such corporate organs are specified below.

MEMBERSHIP OF ASSOCIATIONS [102-13]

ARGENTINA
Cámara de Comercio Argentino Brasileña
Cámara de Compañías aéreas de Argentina (JURCA)
Centro de Implementación de Políticas Públicas para la Igualdad y el Crecimiento (CIPPEC)
Instituto para el Desarrollo Empresarial de la Argentina (IDEA)
Red de Acción Política (RAP)

BRAZIL
International Air Transport Association (Iata)
Associação Brasileira de Agências de Viagens (Abav)
Associação Brasileira de Anunciantes (ABA)
Associação Brasileira de Comunicação Empresarial (Aberje)
Associação Brasileira dos Consolidadores de Passagens Aéreas e Serviços de Viagens (AirTKT)
Associação Brasileira das Empresas Aéreas (Abear)
Associação Brasileira de Franchising (ABF)
Associação Brasileira de Logística (Abralog)
Associação Brasileira das Operadoras de Turismo (Braztoa)
Associação Brasileira de Relações Empresa-Cliente (Abrarec)
American Chamber of Commerce (Amcham Brasil)
Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS)
Conselho Nacional de Auto-regulamentação Publicitária (Conar)
Flight Safety Foundation (FSF)
Grupo de Estudos Tributários Aplicados (Getap)
Instituto Brasileiro de Executivos de Finanças (Ibef)
Instituto Brasileiro de Hospitalidade Empresarial (IBHE)
Interactive Advertising Bureau (IAB Brasil)
Junta de Representantes das Companhias Aéreas Internacionais do Brasil (Jurcaib)
Sao Paulo Convention Bureau – Fundação 25 de Janeiro
Sindicato Nacional das Empresas Aéreas (SNEA)
Rede Empresarial WWF

CHILE
Asociación Chilena de Aerolíneas (ACHILA)
Cámara Chileno-Brasileña de Comercio (CBC)
Cámara Chileno Norteamericana de Comercio (Amcham – Chile)
Cámara de Comercio Chileno-Argentina
Cámara Chileno-Colombiana de Comercio
Cámara de Comercio Peruano-Chilena
Cámara de Comercio de Santiago
Cámara Oficial Española de Comercio de Chile
Centro de Estudios Públicos
Corporación de Estudios para Latinoamérica
ENDEAVOR
Federación de las Empresas de Turismo de Chile (Fedetur)
Global compact
Instituto Chileno de Administración Racional de Empresas (ICARE)
Sociedad de Fomento Fabril (SOFOFA)

COLOMBIA
Asociación de transporte Aéreo de Colombia (ATAC)
Cámara de Comercio e Industria Colombo Chileno

ECUADOR
Asociación de Representantes de Líneas Aéreas del Ecuador (ARLAE)
Cámara de Industrias de Guayaquil
Cámara de Comercio de Guayaquil
Cámara de Industrias y Producción de Quito
Cámara de Turismo del Guayas
Cámara de Turismo de Galápagos

PERU
Asociación de Empresas de Transporte Aéreo Internacional (AETAI)
Asociación Peruana de Empresas Aéreas (APEA)
Cámara Binacional de Comercio Peruano Uruguaya
Cámara Binacional Perú-Brasil (CAPEBRAS)
Cámara de Comercio Americana del Perú (Amcham)
Cámara de Comercio Peruano-Chilena
Cámara Nacional de Turismo (CANATUR)
Empresa Municipal de Festejos del Cusco (EMUFEC)
Peru 2021
Sociedad de Comercio Exterior del Perú (COMEXPERU)
Sociedad Nacional de Industrias
United Nations Development Program (UNDP)-Empresas que inspiran – Corporate volunteering

Industry context

REGULATORY FRAMEWORK

Chilean aeronautical regulation

Both the General Directorate of Civil Aviation ("DGAC") and the Civil Aviation Board ("JAC") supervise and regulate the Chilean aviation industry. The DGAC answers directly to the Chilean Air Force and it is in charge of supervising compliance with the Chilean laws and standards that rule air navigation. The JAC is the Chilean civil aviation authority.

Essentially by virtue of Decree Law N° 2,564, which regulates commercial aviation, the JAC establishes the main commercial policies for the aeronautical industry in Chile, and regulates the allocation of domestic and international routes, and the DGAC regulates flight operations, including personnel, aircraft, security levels, air traffic control, and airport administration.

LATAM Airlines Group S.A. has obtained and maintains the necessary authorization required by the Chilean government to conduct flight operations, including authorization certificates from the JAC and technical operative certificates from the DGAC, the continuation of which is subject to the ongoing compliance with applicable statutes, rules, and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

Chile is a contracting state, as well as a permanent member of the International Civil Aviation Organization (ICAO), a UN institution established in 1947 in order to assist in the planning and development of international air transportation. ICAO establishes technical guidelines for the international aeronautical industry, which have been incorporated into the Chilean laws and rules by the country's authorities. Given the lack of Chilean rules applicable to the issues related to security or maintenance, DGAC has incorporated most of the ICAO technical guidelines through referencing. We are certain that we comply with all relevant technical guidelines.

Route rights

· National Routes

Chilean airlines are not required to obtain permits in order to carry passengers or cargo on any domestic routes, but they must comply with the technical and insurance requirements established respectively by the DGAC and the JAC. Moreover, there are no regulatory barriers that would prevent a foreign airline from creating a Chilean subsidiary and entering the Chilean domestic market using that subsidiary. On January 18, 2012, the Chilean Ministry of Transportation and the Ministry of Economy announced the unilateral opening of Chile's national skies. This was confirmed in November 2013 and remains valid.

· International Routes

Given that it is an airline offering service on international routes, LATAM Airlines Group S.A. is also subject to a series of bilateral civil air transportation agreements that consider the reciprocity of air traffic rights between Chile and the countries where LATAM maintains operations.

There is no guarantee that the bilateral agreements currently in force between Chile and these foreign governments will remain valid, and an amendment, suspension, or revocation of one or more bilateral treaties could damage our operations and financial results.

International route rights, as well as the corresponding landing rights, are derived from a series of air transportation agreements negotiated between Chile and foreign governments. By virtue of these agreements, the government of each of the countries grants the other government the right to appoint the operation of scheduled services between certain destinations of that country to one or more of its domestic airlines.

In Chile, when routes to or from foreign cities are opened, all airlines that meet the necessary requirements may request the use of those routes. When there is more than one applicant, on those routes with a restriction on capacity, the JAC awards the frequencies for a period of five years through a public tender. The JAC awards the use of routes on condition that the airline to which they are awarded will operate them permanently. Should an airline cease to operate a route for a period of six months or longer, the JAC may revoke their rights on that route. It is possible to transfer the use of international routes at no cost. In the past, we have paid fees for the right to use the international routes awarded in public tenders where there was more than one applicant.

Airfare-setting policies

Chilean airlines can set their own national and international fares without any form of Government regulation.

In 1997, Resolution N° 496 of the Resolution Commission (predecessor of the Chilean Competition Tribunal, TDLC), approved a self-regulating fare plan presented by LATAM for our national operations in Chile.

Said plan was presented in compliance with the provisions issued in 1995 in Resolution N° 445 by the Resolution Commission. In general terms, according to this plan, we must ensure that the yields of the routes defined as "non-competitive" by said Resolution N° 445 dated 1995 are no greater than the yields for similar-distance routes defined as "competitive" by the same resolution; and inform the Civil Aviation Board (JAC) of the increase or decrease in fares on said "non-competitive" and "competitive" routes, in the manner and terms stated by said self-regulation plan.

OUR BUSINESS

Industry context

Aircraft registration
The Chilean Aeronautics Code ("CAC") regulates aircraft registration in Chile. For an aircraft to get registered or remain registered in Chile, the owner must be:

• An individual of Chilean nationality.

• A legal entity constituted in Chile whose main address and real and effective headquarters are in Chile, and most of whose share capital is held by Chilean individuals or companies, besides the other requirements established in Article 38 of the CAC.

• The Aeronautics Code expressly enables the DGAC to allow the registration of aircrafts whose owners are not Chilean individuals or companies, as long as they have a permanent business address in Chile. Aircrafts whose owners are not Chilean but are operated by Chileans or by an airline affiliated to a Chilean aviation entity may also be registered.

• The registration of any aircraft can be revoked should it not meet the registration requirements, particularly in the following cases.

• The ownership requirements are not met.

• The aircraft does not comply with any of the applicable security requirements specified by the DGAC.

Prevention
The DGAC requires all aircrafts operated by Chilean airlines to be registered before the DGAC or some other equivalent agency acting as a supervisor in any other country. All aircrafts must have an airworthiness certificate, either issued by the DGAC or by some equivalent non-Chilean agency that has supervision powers. On the other hand, the DGAC does not issue maintenance permits to a Chilean airline until the agency has assessed the airline's capacities to perform the maintenance.

The DGAC renews maintenance permits annually and it has approved all our maintenance operations. Only the maintenance facilities that have a certificate from the DGAC or an equivalent non-Chilean agency with supervision powers in the country where the aircraft is registered may perform maintenance services and repairs on the aircrafts operated by Chilean airlines.

Likewise, the staff of the aircraft maintenance facilities must have a certificate from the DGAC or an equivalent non-Chilean agency with supervision powers in the country where the aircraft is registered prior to taking any position of aircrafts maintenance.

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

These standards and rules are based on the standards developed by the international commercial aviation organizations. Each airline and airport in Chile must present to the DGAC an air security manual describing the security procedures implemented in their daily commercial air operations, as well as the personnel training procedures on the matter of security. LATAM has presented its air security manual to the DGAC. Chilean airlines operating international routes must adopt security measures in compliance with the applicable requirements of the international bilateral agreements.

Airport policies
The DGAC supervises and manages the airports in Chile, including the supervision of charges of take-off and landing fees. The DGAC proposes the airport fees, which the JAC approves, and they are the same for all airports. Since the mid-90s, a series of Chilean airports have been privatized, including the Arturo Merino Benitez International Airport, in Santiago. In the privatized airports, the airport manager manages the facilities supervised by the DGAC and JAC.

Environmental and noise regulation
There are no important environmental rules or controls imposed on airlines, applicable to the airplanes, or affecting us within Chile, except for environmental laws and generally applicable rules. There is currently no rule either that applies to aircrafts in Chile to restrain noise. However, the Chilean authorities intend to enact a regulation regarding environmental noise to regulate aircrafts flying to and within Chile. The regulation proposed will require said aircrafts to comply with certain restrictions regarding noise, which in the market will be denominated Stage 3 standards.

Most of LATAM's fleet already complies with the restrictions proposed; therefore, we do not believe that the enactment of these standards proposed will suppose a serious burden on our operations.

Antitrust regulation
In Chile, there are two authorities regulating the matter. The Competition Tribunal (TDLC, for its Spanish acronym) (formerly the Resolution Commission, and henceforth the "TDLC" or Court), and the National Economic Prosecutor's office (henceforth, FNE, for its Spanish acronym). Each one has different powers and functions but, jointly, they are in charge of supervising compliance with local regulation, which is provided in Decree Law N° 211 from 1973, and its subsequent amendments (henceforth, the Antitrust Law, or the Law).

The Antitrust Law considers penalties for all organizations that carry out actions that prevent, restrict, or hamper free competition, or that aim to produce such effects.

OUR BUSINESS

Industry context

Moreover, the Law forbids any company holding a dominating position within a market from abusively exploiting said position.

A damaged person can sue for damages resulting from the breach of the Antitrust Law and/or file a claim before the Court, in order for the latter to end the breach.

The TDLC has the power to levy a series of penalties for breaches of D.L. 211, including the rescission of contracts, dissolution of legal entities, and levying of fines on companies and individuals. It also considers penalties of imprisonment for those cases where collusive practices are perpetrated.

The courts may declare the payment of compensation for damages, as well as other redresses (such as a court injunction) when pertinent. In October 1997, the Antitrust Court approved our Self-Regulatory Airfare Plan.

Since October 1997, LAN Airlines S.A. y LAN Express follow a self-regulatory plan, which was modified and approved by the Competition Court in July 2005, and further in September 2011.

In February 2010, the FNE ended the investigation that it began in 2007 regarding our fulfillment of the self-regulatory plan, and no observations were made.

Through Resolution N° 37/2011, issued on September 21, 2011, (the "Resolution"), Chile's TDLC approved the combination of LAN and TAM, imposing 14 mitigation measures on LATAM, whose regulation and scope are defined in the Resolution, and which are summarized below merely for reference purposes:

01 Exchange four pairs of daily slots at the Guarulhos Airport in São Paulo, to be used exclusively to service the SCL – GRU route, on non-stop flights.

02 Extend for a five-year period its frequent flyer program to the airlines operating (or stating their intention to operate) the Santiago – São Paulo, Santiago – Río de Janeiro, Santiago – Montevideo, and Santiago – Asunción routes; and that request LATAM to extend said program for said route(s). The term for this measure has expired.

03 Hold interline agreements on the Santiago – São Paulo, Santiago – Río de Janeiro, and/or Santiago – Asunción routes, with the interested airlines that operate said routes, and who so request.

04 Observe certain transitory capacity and offer restrictions on the Santiago – São Paulo route.

05 Implement certain modifications to the LATAM Self-Regulatory Airfare Plan, applicable to its domestic operations.

06 Renounce, prior to June 22, 2014, one of the two global alliances that LAN and TAM belonged to at the time of the Resolution.

07 Observe certain restrictions in entering and maintaining, without prior consultation of the TDLC, codeshare agreements on certain routes and with airlines that are members or associates of a different alliance from that to which LATAM belongs.

08 Observe certain restrictions in its participation in future 3rd, 4th, and 5th freedom traffic rights biddings between Santiago and Lima; and renounce (4) four 5th freedom frequencies to Lima.

09 Declare to the air transportation authorities its favorable opinion on the unilateral open skies for cabotage in Chile by airlines from other States, without the need for reciprocity.

10 Commit, in every relevant aspect, to foster the growth and normal operation of the airports of Guarulhos in São Paulo and Arturo Merino Benítez in Santiago.

11 Follow certain guidelines in awarding incentives to travel agencies.

12 Transitorily, maintain: i) at least 12 nonstop roundtrip flights per week, directly operated by LATAM on the routes between Chile and the US; and ii) at least 7 nonstop roundtrip flights, directly operated by LATAM on the routes between Chile and Europe.

13 Follow certain restrictions in: the average income from airfares for passenger transportation, on the Santiago—São Paulo—Santiago—Río de Janeiro routes; and in the fares, in force and published at the time of the Resolution, for cargo traffic on each of the routes between Chile and Brazil.

14 Hire an independent consultant, to advise the National Economic Prosecutor's office (*Fiscalía Nacional Económica*) for a 3-year period in supervising LATAM's compliance with the Resolution. The term for this measure has expired.

Brazil's Administrative Council for Economic Defense ("CADE") approved the association of LAN and TAM by unanimous decision in the meeting held on December 14, 2011, subject to the following conditions:

01 The new Group (LATAM) must renounce one of the two global alliances in which it participated (Star Alliance or **one**world).

02 It must offer in exchange two pairs of slots at the Guarulhos International Airport, to be used by a third party interested in offering direct, non-stop flights between São Paulo and Santiago de Chile.

These impositions are in line with the mitigation measures adopted by the TDLC in Chile. Moreover, the association between LAN and TAM was subjected to the antitrust authorities of Germany, Italy, and Spain. All these jurisdictions granted their unconditional approval to this transaction.

MATERIAL FACTS

April 3, 2019

Material Fact Report

In accordance with the provisions of Article 9 and 10 of the Securities Market Law and General Rule No. 30, duly authorized by the Board of Directors in extraordinary session dated July 8, 2016, the following material fact regarding LATAM Airlines Group S.A. ("LATAM" or the "Society"), Securities Registration No. 306, reports the following:

Dated today LATAM Airlines Brazil, an affiliate of LATAM Airlines Group S.A., announced that it has been approached by Elliott Associates L.P., Elliott International L.P., and Manchester Securities Corporation (jointly "Elliott"), the largest debt holders of Oceanair Linhas Aéreas S.A. and AVB Holding S.A. (jointly "Avianca Brasil"), and has agreed to bid for at least one independent productive unit ("IPU") [unidade produtiva isolada UPI] of its respective assets (including but not limited to certain contracts, operating certificates, permits, and slots), of Elliot's restructuring proposal in upcoming auctions for a minimum amount of US$70 million. As part of the proposed restructuring, and subject to compliance with certain conditions, LATAM Airlines Brazil has committed to extend to Avianca Brasil, directly and indirectly, up to US$13 million of debtor–in–possession loans to finance, in part, working capital in support of the ongoing operations, amount that will be reimbursed to LATAM Airlines Brazil if the restructuring proposal is successful.

With this date, the reservation of the communication that was sent as Reserved Material Fact on March 26, 2019, whose content is consolidated in the agreements referred to in this communication, is lifted.

It is hereby stated that at this date it is not possible to determine the financial effects that the matters reported may have on the assets, liabilities or results of the Society or the date on which the adjudication of the aforementioned productive unit could materialize, which, in any case, is subject to any and all required governmental and antitrust approvals being granted in a timely manner.

LATAM will keep your Commission duly informed of any relevant development that may occur in relation to the facts it reveals.

April 9, 2019

Definitive Dividend Distribution Proposal

In accordance with the provisions of Circular No. 660, dated October 22, 1986, of your Commission, and duly authorized, I hereby inform this Commission, as a Material Fact, that in Meeting held on date, the Board of Directors resolved to propose to the Ordinary Shareholders' Meeting, summoned for April 25, 2019, the distribution of Dividend No. 50, Definitive, Mandatory Minimum, up to complete the 30% of net income for the year 2018, that is, the equivalent amount in Chilean pesos of USD 54,580,443.06 which means to distribute a dividend of USD 0.90006185096 per share, payable on Thursday, May 16, 2019, in its equivalent in Chilean pesos according to the exchange rate "observed", published in the Official Journal on the fifth business day prior to the distribution day, that is, on May 10, 2019. In the event that the dividend is approved in the terms proposed by the Board of Directors, will be entitled to receive the dividend the shareholders registered at the Shareholders' Registry at midnight on May 10, 2019.

April 25, 2019

Definitive Dividend Distribution

In accordance with the provisions of Circular No. 660, dated October 22, 1986, of your Commission, and duly authorized, I hereby inform you as material information that at the Ordinary Shareholders Meeting (the "Meeting") of LATAM Airlines Group S.A. ("LATAM") held today, April 25th of 2019, the shareholders of LATAM approved the distribution of Definitive Dividend No. 50, Minimum Mandatory, up to complete the 30% of net income for the year 2018, that is, the equivalent amount in Chilean pesos of USD 54,580,443.06 which means to distribute a dividend of USD 0,090006185096 per share, payable on Thursday, May 16, 2019, in its equivalent in Chilean pesos according to the exchange rate "observed", published in the Official Journal on the fifth business day prior to the distribution day, that is, on May 10, 2019.

The shareholders of the Company shall be entitled to receive the dividend in proportion to their respective shareholding in the share capital, according to the number of shares they have registered in the Shareholders' Register at midnight of the fifth business day prior to the distribution date, that is, at midnight on May 10, 2019.

The notice referred to in Section II of the aforementioned Circular 660 will be published on May 8, 2019, in the newspaper "La Tercera" of Santiago. Form No. 1 is attached, which establishes the same Circular No. 660, duly completed and signed by the undersigned.

April 25, 2019

Material Fact Report

In accordance with the provisions of articles 9 and 10 of Law No. 18,045 on the Securities Market, and as established in the Commissions' General Rule No. 30 of 1989, I inform you as a material fact that in the Ordinary Shareholders' Meeting (the "Meeting") of LATAM Airlines Group S.A. ("LATAM") held on April 25, 2019, the shareholders of LATAM proceeded to elect the members of the Board of LATAM, which will last for two years.

In the election that took place in the Meeting, the following persons were elected as board members:

1. Sonia J.S. Villalobos;
2. Carlos Heller Solari;
3. Nicolás Eblen Hirmas;
4. Giles Edward Agutter;
5. Henri Philippe Reichstul;
6. Ignacio Cueto Plaza;
7. Juan José Cueto Plaza;
8. Patrick Horn García; y
9. Eduardo Novoa Castellón

The Chairman is informed that the board members indicated in numbers 8 and 9 above were elected as Independent Board members, in accordance with article 50 bis of Law No. 18,046 on Corporations.

May 27, 2019

Complements Material Fact dated January 14, 2016 Respond to Official Letter No. 15,773 dated May 24, 2019

In accordance with the provisions of Article 9 and 10 of the Securities Market Law and General Rule No. 30, duly authorized by the board of LATAM Airlines Group S.A. (" LATAM " or the "Company"), Securities Registration No. 306, I hereby complement the Material Fact and respond to the Ordinary Office of the reference:

· As is public knowledge, on May 23, 2019, the Supreme Court accepted the claims filed against the decision of Chile's Free Competition Defense Court (TDLC) that ruled on the consultation regarding certain commercial agreements (joint business agreements, "JBAs") subscribed, separately, between American Airlines and International Airlines Group - the holding company of British Airways and Iberia - with the Company.

· The ruling states that "the Joint Business Agreements agreed between LATAM, American Airlines, Iberia and British Airways, subject to consultation by the court, in all matters relating to air transport of passengers are not approved."

· As initially reported in January 2016, the implementation of the JBAs was subject to obtaining the approvals of the relevant authorities in the different countries where the airlines that form part of such agreements operate.

· With the exception of Chile, the approvals to implement the JBAs in the other countries relevant to the agreements were obtained, pending only the process with the Department of Transportation in the US regarding the agreement with American Airlines, pending this date.

· Attended to this new scenario in Chile, LATAM is evaluating the alternatives that may exist to implement the JBAs, without having taken a definitive decision to this date. The Company will promptly inform the market and your Commission of any relevant development that comes from LATAM with respect to the JBAs.

June 6, 2019

Bond Issuance

In accordance with the provisions of Article 9 and the second paragraph of Article 10 of Law No. 18,045 on Securities Market, and in General Rule No. 30, the undersigned, duly authorized, reports the following material fact regarding LATAM Airlines Group S.A. (the "Company") and its public offering values:

On April 22, 2019, the Commission for the Financial Market ("CMF") authorized the placement of up to UF 5,000,000 of the Series E Bonds in the Chilean market under the bond facility of 13 years registered in the Securities Registry of the CMF under the number No. 921 on November 26, 2018.

Fulfilling the objective of the placement, the Series E Bonds were placed today in the Santiago Stock Exchange through a Dutch Auction. The Series E Bonds were placed for a total amount of UF 5,000,000, due on April 15, 2029 and at an annual rate of 2.73%.

The proceeds from the placement of the Series E will be used for the operation of the Company, and particularly to the refinancing of liabilities, capital expenditures and general corporate purposes, in approximately 50%, 30% and 20% respectively.

OUR BUSINESS

Industry context

Finally, in accordance with the provisions of Circular No. 988 of your Commission, we inform you that at this moment it is not possible to quantify the effects that this operation will have on the Company's results.

July 18, 2019

Material Fact Report

In accordance with the provisions of Article 9 and 10 of Law No. 18,045 on Securities Market, and in General Rule No. 30, the undersigned, duly authorized, reports the following material fact:

(a) LATAM Finance Limited (the "Issuer"), a company incorporated in the Cayman Islands with limited liability and exclusively owned by LATAM Airlines Group S.A. ("LATAM"), has issued and placed in the international markets, in reliance on Rule 144A and on Regulation S under the Securities Act of the United States of America, long-term guaranteed bonds for an amount of US$200,000,000, due in 2026, at an initial annual interest rate of 7.000% and a yield to maturity of 5.979% (the "144-A 2026 Notes" or the "Issuance");

(b) The 144-A 2026 Notes will be guaranteed by LATAM and the use of proceeds will be for (i) partially redeem up to US$300,000,000 (the "Tender Offer"), of the bonds issued and placed in the markets international, in reliance on Rule 144A and on Regulation S under the Securities Act of the United States of America, long-term bonds due in 2020 at an initial annual interest rate of 7.25% (the "144-A 2020 Notes"), as well as its accrued and unpaid interest; (ii) to pay the fees and expenses incurred in connection with the Tender Offer; and (iii) the remainder, if any, for general corporate purposes of LATAM.

Finally, in accordance with the provisions of Circular No. 988 of your Commission, we inform you that at this moment it is not possible to quantify the effects that this operation will have on the Company's results.

September 10, 2019

Material Fact Report

In accordance with the provisions of Article 9 and third and fourth subsections of Article 10 Securities Market Law Nbr. 18,045 and General Rule Nbr. 30, duly authorized by the Board in the session held today, I inform as a Material Fact of LATAM Airlines Group S.A. ("LATAM Airlines" or the "Company"), Securities Registration No. 306, the following:

LATAM informs that Enrique Cueto P., after 25 years, will leave his position of CEO of LATAM Airlines as of March 31, 2020.

Reference is made to the Reserved Material Fact of November 6, 2018, in relation to the selection process initiated by the Board at the time in the event of an eventual succession of the aforementioned position and it is reported that with this date the Board has unanimously appointed Mr. Roberto Alvo M., Chief Commercial Officer, as the new Chief Executive Officer of LATAM Airlines, effective on March 31, 2020.

September 26, 2019

Material Fact Report

In accordance with the provisions of Article 9 and 10 of the Securities Market Law and General Rule Nbr. 30, duly authorized by the Board in the session held today, I inform as a Material Fact of LATAM Airlines Group S.A. ("LATAM Airlines", "LTM" or the "Company"), Securities Registration No. 306, that LTM has signed a framework agreement with Delta Air Lines, Inc. ("DAL"), whose main terms and conditions are summarized below:

1. Public Offer of Acquisition of Shares. DAL to make a public offer to acquire 20% of the shares of LTM (the "Tender Offer"). The Tender Offer will be for the price of US$16 per share.

DAL's obligation to launch the Tender Offer is subject to compliance with customary conditions for these type of transactions, including obtaining the corresponding antitrust authorization in the United States of America.

The Tender Offer will be subject to the condition of success consisting in allowing DAL to acquire shares of the Company that represent at least 15% of the Company's capital stock. In addition, it will contemplate usual objective grounds for expiration for operations of this nature.

2. Strategic Alliance. Independently of the Tender Offer and whatever its outcome, LTM and DAL agreed to form a strategic alliance (the "Strategic Alliance") on the non-stop routes between the United States of America and Canada, and the countries of South America with agreements of open skies, and in the connections of these routes. The Strategic Alliance also includes the joint design of networks, cargo operations, and reciprocal codeshare agreements. For these purposes, LTM and DAL have agreed to use their best reasonable efforts to sign the final agreements on this matter as soon as possible, and in any case within 210 days of this date.

It is the intention of LTM and DAL to implement the Strategic Alliance simultaneously with respect to all the countries of South America, the United States and Canada in which a regulatory authorization is not required for its implementation and/or in which the pertinent regulatory authorizations have been obtained. For this purpose, regulatory authorizations will be requested from the authorities in all jurisdictions in which it is appropriate. Notwithstanding the foregoing, in the event that regulatory authorizations in the

Industry context

United States of America, the Federative Republic of Brazil and the Republic of Peru - if necessary - have been obtained, LTM and DAL may agree to implement the Strategic Alliance only in those countries in which the respective authorizations have been obtained and in those where they are not required.

If the Tender Offer is successful, DAL is obligated to the following regarding it ownership stake in LTM:

• From the date on which the Tender Offer ends and until the date of implementation of the Strategic Alliance as indicated in the previous paragraph (the "Date of Implementation"), (i) DAL is obligated not to increase its participation in the Company over 20%; provided, however, that if an LTM shareholder (or group of shareholders with a common controller) that currently has less than a 20% interest in it, acquires shares of the Company in excess of 20%, DAL may acquire a larger share stake, but in no case in excess of 24.99% of the Company's shares; and (ii) DAL is obligated not to decrease its participants below 20% or the percentage of shares of the Company actually acquired in the Tender Offer above 15%.

• After the expiration of the aforementioned term and until the second anniversary counted from the Date of Implementation, DAL will be obligated not to increase its participation in the Company over 24.99% or to decrease its holding below 15%.

• Under no circumstances may DAL sell the Company's shares to other airlines based in South America, Central America or the Caribbean, unless the transfer is made in the context of an open market transaction, or has the consent of the Company.

In the event that as of March 31, 2024, the Strategic Alliance has not entered into effect, DAL is obligated to decrease its ownership stake to less than 5%. Likewise, in the event that the Strategic Alliance terminates due to DAL's non-compliance, DAL is obligated not to transfer its shares in the Company to other shareholders (or groups of shareholders with a common controller) that own of 10% or more of the LTM shares.

DAL will compensate LTM for the costs that it will incur during the transition period until the implementation of the Strategic Alliance, and is consequently obligated to pay to the Company US$350 million, notwithstanding that in case the costs exceed that amount for extraordinary reasons, LTM and DAL must negotiate in good faith the potential additional payments that may apply. The payment of the US$350 million is not conditional on the success of the implementation of the Strategic Alliance, and must be made by DAL according to the following timeline: (i) US$150 million within three business days following this date; and (ii) US$200 million, in eight quarterly installments of US$25 million each, payable as of March 31, 2020.

3. Aircraft Transfer. Regardless of the operations referred to in the preceding paragraphs, LTM and DAL have agreed: (i) to sign an aircraft purchase agreement, under which, DAL will acquire certain aircraft that are part of the LTM fleet; and (ii) that DAL will assume the commitment of LTM to assign its contractual position under certain contracts for the sale of aircraft signed with Airbus SAS.

Finally, we note that the Company will terminate its membership in the oneworld alliance and will not persevere in the agreement called Joint Business Agreement signed with American Airlines as made public in the Material Facts dated January 14, 2016 and May 27, 2019.

As of this date, the reservation of the communication that was sent as a Reserved Material Fact on September 10, 2019, whose content is reinforced in this communication, is lifted.

As of this date, it is not possible to determine the financial effects that the matters reported may have on the assets, liabilities or results of the Company. We anticipate that the antitrust authorizations on which the launch of the Tender Offer depends will be obtained within the next 180 days, and that authorizations for the implementation of the Strategic Alliance will be obtained within the next 18 months. The Company will keep your Commission duly informed of any relevant development that occurs in relation to the facts it reveals.

December 6, 2019

Material Fact Report

In accordance with the provisions of Article 9 and 10 of the Securities Market Law No. 18,045 and General Rule No. 30, duly authorized by the Board in its extraordinary session held today, December 2, 2019, I inform as a Material Fact of LATAM Airlines Group S.A. ("LATAM Airlines" or the "Company"), Securities Registration No. 306, the following:

1. Through a Material Fact dated January 14, 2016, LATAM Airlines informed the signing of commercial agreements with airlines British Airways and Iberia, through International Airlines Group S.A. ("IAG"). In addition, LATAM Airlines informed that the implementation of these commercial agreements was subject to approvals from applicable authorities.

2. In consideration of the above and various commercial factors in the context of changes in the aviation market since the announcement in January 2016, IAG and LATAM Airlines have decided that they will not implement the announced joint business agreement or JBA, terminating the contracts associated with said transaction dated December 2, 2019.

3. The other contracts in force between LATAM Airlines and IAG, such as interline agreements, codeshare agreements, contracts of access to VIP lounges and frequent passenger program between the airlines remain valid, without any impact on passengers.

With this date, the reservation of the communication that was sent as a Reserved Material Fact Reserved on December 2, 2019, whose content is attached in this communication, is lifted.

December 30, 2019

Comunica Hecho Esencial

De acuerdo a lo establecido en el artículo 9° y en el inciso segundo del artículo 10° de la Ley de Mercado de Valores y a lo dispuesto en la Norma de Carácter General N° 30, debidamente facultado, informo en carácter de HECHO ESENCIAL de LATAM Airlines Group S.A. ("LATAM Airlines"), inscripción en el Registro de Valores N° 306, lo siguiente:

1. Con fecha 29 de diciembre de 2019, Delta Air Lines, Inc ("Delta") publicó en los diarios electrónicos La Nación (*www.lanacion.cl*) y El Líbero (*www.ellibero.cl*) el aviso de resultado de su oferta pública de adquisición de acciones de LATAM Airlines (la "OPA"). Conforme a lo señalado en dicho aviso, producto de la OPA Delta adquirió 121.281.538 acciones de LATAM Airlines, representativas del 20% del total de acciones emitidas, suscritas y pagadas de LATAM Airlines.

2. Mediante hecho esencial de esta fecha, Costa Verde Aeronáutica S.A. ("CVA"), declaró haber vendido a Delta en la OPA, 36.748.228 acciones de LATAM Airlines. Producto de lo anterior, CVA disminuyó su participación accionaria (directa e indirecta) en LATAM Airlines desde la cantidad de 159.137.727 acciones, representativas de un 26,24% del capital accionario de LATAM Airlines, a la cantidad de 122.389.499 acciones, representativas de un 20,18%. De acuerdo a la información del registro de accionistas a fecha, CVA continúa siendo el principal accionista individual de LATAM Airlines.

3. Por referirse exclusivamente a la propiedad y el control de LATAM Airlines, las materias objeto de este hecho esencial no tienen efectos financieros sobre los activos, pasivos o resultados de LATAM Airlines.

Risk management

RISK FACTORS RELATING TO OUR COMPANY

Our assets include a significant amount of goodwill.

Our assets included US$2,209.6 million of goodwill as of December 31, 2019. Under IFRS, goodwill is subject to an annual impairment test and may be required to be tested more frequently if events or circumstances indicate a potential impairment. In 2019, mainly as a result of the depreciation of the Brazilian real against the U.S. dollar, the value of our goodwill decreased by 3.7% as compared with 2018. Any impairment could result in the recognition of a significant charge to earnings in our statement of income, which could materially and adversely impact our consolidated results for the period in which the impairment occurs.

A failure to successfully implement our strategy or a failure adjusting the strategy to the current economic situation would harm our business and the market value of our ADSs and common shares.

We have developed a strategic plan with the goal of becoming one of the most admired airlines in the world and renewing our commitment to sustained profitability and superior returns to shareholders. Our strategy requires us to identify value propositions that are attractive to our clients, to find efficiencies in our daily operations, and to transform ourselves into a stronger and more risk-resilient company. A tenet of our strategic plan is the continuing adoption of a new travel model for domestic and international services to address the changing dynamics of customers and the industry, and to increase our competitiveness. The new travel model is based on a continued reduction in air fares that makes air travel accessible to a wider audience, and in particular to those wish to fly more frequently. This model requires continued cost reduction efforts and increasing revenues from ancillary activities. In connection with these efforts, the Company continues to implement a series of initiatives to reduce cost per ASK in all its operations as well as developing new ancillary revenue initiatives. Difficulties in implementing our strategy may adversely affect our business, results of operation and the market value of our ADSs and common shares.

Our financial results are exposed to foreign currency fluctuations.

We prepare and present our consolidated financial statements in U.S. dollars. LATAM and its affiliates operate in numerous countries and face the risk of variation in foreign currency exchange rates against the U.S. dollar or between the currencies of these various countries. Changes in the exchange rate between the U.S. dollar and the currencies in the countries in which we operate could adversely affect our business, financial condition and results of operations. If the value of the Brazilian real, Chilean peso or other currencies in which revenues are denominated declines against the U.S. dollar, our results of operations and financial condition will be affected. The exchange rate of the Chilean peso, Brazilian real and other currencies against the U.S. dollar may fluctuate significantly in the future.

Changes in Chilean, Brazilian and other governmental economic policies affecting foreign exchange rates could also adversely affect our business, financial condition, results of operations and the return to our shareholders on their common shares or ADSs.

We depend on strategic alliances or commercial relationships in many of the countries in which we operate, and our business may suffer if any of our strategic alliances or commercial relationships terminates.

We maintain a number of alliances and other commercial relationships in many of the jurisdictions in which LATAM and its affiliates operate. These alliances or commercial relationships allow us to enhance our network and, in some cases, to offer our customers services that we could not otherwise offer. If any of our strategic alliances or commercial relationships deteriorates, or any of these agreements are terminated, our business, financial condition and results of operations could be adversely affected.

Our business and results of operations may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits. Also, technical and operational problems with the airport infrastructure of cities in which we have a focus may have a material adverse effect on us.

Our business depends upon our access to key routes and airports. Bilateral aviation agreements between countries, open skies laws and local aviation approvals frequently involve political and other considerations outside of our control. Our operations could be constrained by any delay or inability to gain access to key routes or airports, including:

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

We operate numerous international routes subject to bilateral agreements, as well as domestic flights within Chile, Peru, Brazil, Argentina, Ecuador and Colombia, subject to local route and airport access approvals. See "Item 4. Information on the Company—B. Business Overview—Regulation."

There can be no assurance that existing bilateral agreements with the countries in which our companies are based and permits from foreign governments will continue. A modification, suspension

Risk management

or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permission to operate in certain airports, destinations or slots, or the imposition of other sanctions could also have a material adverse effect. A change in the administration of current laws and regulations or the adoption of new laws and regulations in any of the countries in which we operate that restrict our route, airport or other access may have a material adverse effect on our business, financial condition and results of operations.

Moreover, our operations and growth strategy are dependent on the facilities and infrastructure of key airports, including Santiago's International Airport, São Paulo's Guarulhos International and Congonhas Airports, Brasilia's International Airport and Lima's Jorge Chavez International Airport.

Santiago's Comodoro Arturo Merino Benítez International Airport is currently facing an important expansion, which is expected to be completed by 2021. If the expansion continues to be delayed, this will likely impact our operations and may affect our ability to remain competitive.

One of the major operational risks we face on a daily basis at Lima's Jorge Chavez International Airport is the limited number of parking positions. Additionally, the indoor infrastructure of the airport limits our ability to manage connections and launch new flights due to the lack of gates and increasing security and immigration controls. Lima's Jorge Chavez International Airport is currently undergoing an expansion, which is expected to be completed by 2024. Any delays could negatively impact our operations limit our ability to grow and affect our competitiveness in the country and in the region.

Brazilian airports, such as the Brasilia, and São Paulo (Guarulhos) International Airports, have limited the number of takeoff and landing slots per day due to infrastructural limitations. Any condition that would prevent or delay our access to airports or routes that are vital to our strategy, or our inability to maintain our existing slots and obtain additional slots, could materially adversely affect our operations.

A significant portion of our cargo revenue comes from relatively few product types and may be impacted by events affecting their production, trade or demand.

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

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

Higher jet fuel prices could have a materially adverse effect on our business, financial condition and results of operations. Jet fuel costs have historically accounted for a significant amount of our operating expenses, and accounted for 30.2% of our operating expenses in 2019. For additional information, see "Item 4. Information on the Company—B. Business Overview—Fuel Supplies". Both the cost and availability of fuel are subject to many economic and political factors and events that we can neither control nor predict, including international political and economic circumstances such as the political instability in major oil-exporting countries. Any future fuel supply shortage (for example, as a result of production curtailments by the Organization of the Petroleum Exporting Countries, or "OPEC"), a disruption of oil imports, supply disruptions resulting from severe weather or natural disasters, labor actions such as the 2018 trucking strike in Brazil, the continued unrest in the Middle East or other events could result in higher fuel prices or reductions in scheduled airline services. We cannot ensure that we would be able to offset any increases in the price of fuel by increasing our fares. In addition, lower fuel prices may result in lower fares through the reduction or elimination of fuel surcharges. We have entered into fuel hedging arrangements, but there can be no assurance that such arrangements will be adequate to protect us from an increase in fuel prices in the near future or in the long term. Also, while these hedging arrangements are designed to limit the effect of an increase in fuel prices, our hedging methods may also limit our ability to take advantage of any decrease in fuel prices, as was the case in 2015 and, to a lesser extent, in 2016. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Risk of Variation in Fuel Prices."

We rely on maintaining a high aircraft utilization rate to increase our revenues and absorb our fixed costs, which makes us especially vulnerable to delays.

A key element of our strategy is to maintain a high daily aircraft utilization rate, which measures the number of hours we use our aircraft per day. High

Risk management

daily aircraft utilization allows us to maximize the amount of revenue we generate from our aircraft and absorb the fixed costs associated with our fleet and is achieved, in part, by reducing turnaround times at airports and developing schedules that enable us to increase the average hours flown per day. Our rate of aircraft utilization could be adversely affected by a number of different factors that are beyond our control, including air traffic and airport congestion, adverse weather conditions, unanticipated maintenance and delays by third-party service providers relating to matters such as fueling and ground handling. If an aircraft falls behind schedule, the resulting delays could cause a disruption in our operating performance and have a financial impact on our results.

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

As our fleet has grown, our reliance on Airbus and Boeing has also grown. As of December 31, 2019, LATAM Airlines Group has a total fleet of 263 Airbus and 79 Boeing aircraft. Risks relating to Airbus and Boeing include:

· our failure or inability to obtain Airbus or Boeing aircraft, parts or related support services on a timely basis because of high demand, aircraft delivery backlog or other factors;

· the interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for these aircraft;

· the issuance by the Chilean or other aviation authorities of directives restricting or prohibiting the use of our Airbus or Boeing aircraft, or requiring time-consuming inspections and maintenance;

· adverse public perception of a manufacturer as a result of safety concerns, negative publicity or other problems, whether real or perceived, in the event of an accident; or

· delays between the time we realize the need for new aircraft and the time it takes us to arrange for Airbus and Boeing or for a third-party provider to deliver this aircraft.

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

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

A large portion of our aircraft fleet is subject to long-term leases. Our leases typically run from three to 12 years from the date of execution. We may face more competition for, or a limited supply of, leased aircraft, making it difficult for us to negotiate on competitive terms upon expiration of our current leases or to lease additional capacity required for our targeted level of operations. If we are forced to pay higher lease rates in the future to maintain our capacity and the number of aircraft in our fleet, our profitability could be adversely affected.

Our business may be adversely affected if we are unable to service our debt or meet our future financing requirements.

We have a high degree of debt and payment obligations under our aircraft leases and financial debt arrangements. We require significant amounts of financing to meet our aircraft capital requirements and may require additional financing to fund our other business needs. We cannot guarantee that we will have access to or be able to arrange for financing in the future on favorable terms. Higher financing costs could affect our ability to expand or renew our fleet, which in turn could adversely affect our business.

In addition, the majority of our property and equipment is subject to liens securing our indebtedness. In the event that we fail to make payments on secured indebtedness, creditors' enforcement of liens could limit or end our ability to use the affected property and equipment to fulfill our operational needs and thus generate revenue.

Moreover, external conditions in the financial and credit markets may limit the availability of funding at particular times or increase its costs, which could adversely affect our profitability, our competitive position and result in lower net interest margins, earnings and cash flows, as well as lower returns on shareholders' equity and invested capital. Factors that may affect the availability of funding or cause an increase in our funding costs include global macro-economic crises, reductions in our credit rating or in that of our issuances, and other potential market disruptions.

We have significant exposure to LIBOR and other floating interest rates; increases in interest rates will increase our financing costs and may have adverse effects on our financial condition and results of operations.

We are exposed to the risk of interest rate variations, principally in relation to the U.S. dollar London Interbank Offer Rate ("LIBOR"). Many of our financial leases are denominated in U.S. dollars and bear interest at a floating rate. 38.4% of our outstanding consolidated debt as of December 31,

Risk management

2019 bears interest at a floating rate (after giving effect to interest rate hedging agreements). Volatility in LIBOR or other reference rates could increase our periodic interest and lease payments and have an adverse effect on our total financing costs. We may be unable to adequately adjust our prices to offset any increased financing costs, which would have an adverse effect on our results of operations.

On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, is considering replacing U.S. dollar LIBOR with a newly created index, calculated based on repurchase agreements backed by treasury securities. The impact of such a transition away from LIBOR could be significant for us because of our substantial indebtedness. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom, the United States or elsewhere. See also the discussion of interest rate risk in "Item 11. Quantitative and Qualitative Disclosures About Market Risk—"Risk of Fluctuations in Interest Rates."

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

Major events affecting the aviation insurance industry (such as terrorist attacks, hijackings or airline crashes) may result in significant increases of airlines' insurance premiums or in significant decreases of insurance coverage, as occurred after the September 11, 2001 terrorist attacks. Further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results and results of operations and increase the risk that we experience uncovered losses.

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

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

We depend on a limited number of suppliers for certain aircraft and engine parts.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, we are vulnerable to problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result in unscheduled maintenance requirements, in customer avoidance or in actions by the aviation authorities resulting in an inability to operate our aircraft. During the year 2019, LATAM Airline's main suppliers were aircraft manufacturers Airbus and Boeing.

In addition to Airbus and Boeing, LATAM Airlines has a number of other suppliers, primarily related to aircraft accessories, spare parts, and components, including Pratt & Whitney, MTU Maintenance, Rolls-Royce, and Pratt and Whitney Canada.

During 2019, Airbus experienced delays in the delivery of A320neo aircraft worldwide. LATAM is currently expecting delivery of three A320neo family aircraft during 2020, but any delivery delays could adversely affect operations.

Rolls-Royce continues to face delays with its Trent 1000 engine program, used to power LATAM's Boeing 787 fleet, with increased demand for inspections and maintenance. This has affected the availability and the operational flexibility of this aircraft for operators worldwide, with the impact for LATAM reaching its peak in July 2018. LATAM currently has three aircraft on ground awaiting for engines. While the situation has improved considerably, there is no guarantee that this will not continue and therefore reduce the availability of Boeing 787 aircraft, thus negatively affecting operations and financial results.

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

We have engaged a significant number of third-party service providers to perform a large number of functions that are integral to our business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory,

OUR BUSINESS

Risk management

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

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

A serious internal technology error, failure, or cybersecurity incident impacting systems hosted internally at our data centers, externally at third-party locations or cloud providers, or large-scale interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network with potential impact on our operations. Our technology systems and related data may also be vulnerable to a variety of sources of interruption, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber attacks and other security issues. These systems include our computerized airline reservation system, flight operations system, telecommunications systems, website, customer, self-service applications ("apps"), maintenance systems, check-in kiosks, in-flight entertainment systems and data centers.

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

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

Labor costs constitute a significant percentage of our total operating expenses (18.5% in 2019) and at times in our operating history we have experienced pressure to increase wages and benefits for our employees. A significant increase in our labor costs could result in a material reduction in our earnings.

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

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

A strike, work interruption or stoppage or any prolonged dispute with our employees who are represented by any of these unions could have an adverse impact on our operations. These risks are typically exacerbated during periods of renegotiation with the unions, which typically occurs every two to four years depending on the jurisdiction and the union. Any renegotiated collective bargaining agreement could feature significant wage increases and a consequent increase in our operating expenses. Any failure to reach an agreement

Risk management

during negotiations with unions may require us to enter into arbitration proceedings, use financial and management resources, and potentially agree to terms that are less favorable to us than our existing agreements. Employees who are not currently members of unions may also form new unions that may seek further wage increases or benefits.

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

As of December 31, 2019, approximately 46% of our employees, including administrative personnel, cabin crew, flight attendants, pilots and maintenance technicians are members of unions and have contracts and collective bargaining agreements which expire on a regular basis. Our business, financial condition and results of operations could be materially adversely affected by a failure to reach agreement with any labor union representing such employees or by an agreement with a labor union that contains terms that are not in line with our expectations or that prevent us from competing effectively with other airlines.

We may experience difficulty finding, training and retaining employees.

Our business is labor intensive. We employ a large number of pilots, flight attendants, maintenance technicians and other operating and administrative personnel. The airline industry has, from time to time, experienced a shortage of qualified personnel, especially pilots and maintenance technicians. In addition, as is common with most of our competitors, we may, from time to time, face considerable turnover of our employees. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, our training costs will be significantly higher. We cannot assure you that we will be able to recruit, train and retain the managers, pilots, technicians and other qualified employees that we need to continue our current operations or replace departing employees. An increase in turnover or failure to recruit, train and retain qualified employees at a reasonable cost could materially adversely affect our business, financial condition, and results of operations.

RISKS RELATED TO THE AIRLINE INDUSTRY AND THE COUNTRIES IN WHICH WE OPERATE

Our performance is heavily dependent on economic conditions in the countries in which we do business. Negative economic conditions in those countries could adversely impact our business and results of operations and cause the market price of our common shares and ADSs to decrease.

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

Any of the following factors could adversely affect our business, financial condition and results of operations in the countries in which we operate:

- changes in economic or other governmental policies;
- changes in regulatory, legal or administrative practices;
- weak economic performance, including, but not limited to, a slowdown in the Brazilian economy, political instability low economic growth, low consumption and/or investment rates, and increased inflation rates; or
- other political or economic developments over which we have no control.

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

An adverse economic environment, whether global, regional or in a particular country, could result in a reduction in passenger traffic, as well as a reduction in our cargo business, and could also impact our ability to raise fares, which in turn would materially and negatively affect our financial condition and results of operations.

We are exposed to increases in landing fees and other airport service charges that could adversely affect our margin and competitive position. Also,

Risk management

it cannot be assured that in the future we will have access to adequate facilities and landing rights necessary to achieve our expansion plans.

We must pay fees to airport operators for the use of their facilities. Any substantial increase in airport charges, including at Guarulhos International Airport in São Paulo, Jorge Chavez International Airport in Lima or Comodoro Arturo Merino Benitez International Airport in Santiago, could have a material adverse impact on our results of operations. Passenger taxes and airport charges have increased substantially in recent years. We cannot assure you that the airports in which we operate will not increase or maintain high passenger taxes and service charges in the future. Any such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we serve (or that we plan to serve in the future) are subject to capacity constraints and impose various restrictions, including takeoff and landing slot restrictions during certain periods of the day and limits on aircraft noise levels. We cannot be certain that we will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand our services in line with our growth strategy. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, we may have to amend our schedules, change routes or reduce aircraft utilization. It is also possible that aviation authorities in the countries in which we operate, change the rules for the assignment of takeoff and landing slots, as it was the case with the São Paulo airport (Congonhas) in 2019 where the slots previously operated by Avianca Brazil were reassigned. Any of these alternatives could have an adverse financial impact on our operations. We cannot ensure that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports.

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

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

Our business, financial condition, results of operations and the price of preferred shares and ADSs may be adversely affected by changes in policy or regulations at the federal, state or municipal level in the countries in which we operate, involving or affecting factors such as:

- interest rates;
- currency fluctuations;
- monetary policies;
- inflation;
- liquidity of capital and lending markets;
- tax and social security policies;
- labor regulations;
- energy and water shortages and rationing; and
- other political, social and economic developments in or affecting Brazil, Chile, Peru, and the United States, among others.

For example, the Brazilian federal government has frequently intervened in the domestic economy and made drastic changes in policy and regulations to control inflation and affect other policies and regulations. This required the federal government to increase interest rates, change taxes and social security policies, implement price controls, currency exchange and remittance controls, devaluations, capital controls and limits on imports.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. These and other developments in the Brazilian economy and governmental policies may adversely affect us and our business and results of operations and may adversely affect the trading price of our preferred shares and ADSs.

We are also subject to international bilateral air transport agreements that provide for the exchange of air traffic rights between the countries where we operate, and we must obtain permission from the applicable foreign governments to provide service to foreign destinations. There can be no assurance that such existing bilateral agreements will continue, or that we will be able to obtain more route rights under those agreements to accommodate our future expansion plans. Certain bilateral agreements also include provisions that require substantial ownership or effective control. Any modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our busi-

Risk management

ness, financial condition and results of operations. The suspension of our permits to operate to certain airports or destinations, the inability for us to obtain favorable take-off and landing authorizations at certain high-density airports or the imposition of other sanctions could also have a negative impact on our business. We cannot be certain that a change in ownership or effective control or in a foreign government's administration of current laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Insurance premiums may also increase due to an accident or incident affecting one of our alliance partners or other airlines, or due to a perception of increased risk in the industry related to concerns about war or terrorist attacks, the general industry, or general industry safety.

High levels of competition in the airline industry, such as the presence of low-cost carriers in the markets in which we operate, may adversely affect our level of operations.

Our business, financial condition and results of operations could be adversely affected by high levels of competition within the industry, particularly the entrance of new competitors into the markets in which we operate. Airlines compete primarily over fare levels, frequency and dependability of service, brand recognition, passenger amenities (such as frequent flyer programs) and the availability and convenience of other passenger or cargo services. New and existing airlines (and companies providing ground cargo or passenger transportation) could enter our markets and compete with us on any of these bases, including by offering lower prices, more attractive services or increasing their route offerings in an effort to gain greater market share. For more information regarding our main competitors, see "Item 4. Information of the Company—B. Business Overview—Passenger Operations—International Passenger Operations" and "Item 4. Information of the Company—B. Business Overview—Passenger Operations—Business Model for Domestic Operations."

Low-cost carriers have an important impact in the industry's revenues given their low unit costs. Lower costs allow low-cost carriers to offer inexpensive fares which, in turn, allow price sensitive customers to fly or to shift from large to low cost carriers. In past years we have seen more interest in the development of the low-cost model throughout Latin America. For example, in the Chilean market, Sky Airline, our main competitor, has been migrating to a low-cost model since 2015, while in July 2017, JetSmart, a new low-cost airline, started operations. In the Peruvian domestic market, VivaAir Peru, a new low-cost airline, started operations in May 2017, and in April 2019, another low-cost airline, Sky Airline Peru, started operations. In Colombia, low-cost competitor VivaColombia has been operating in the domestic market since May 2012. Low-cost competitors Flybondi and Norwegian began operations in the Argentinian domestic market during 2018, and in April 2019, JetSmart, another low-cost airline, started operations and announced the acquisition of Norwegian´s Argetinian subsidiary operations in December 2019. A number of low-cost carriers have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. The entry of the low-cost carriers local into markets in which we compete, including those described above, could have a material adverse effect on our operations and financial performance.

Our international strategic growth plans rely, in part, upon receipt of regulatory approvals of the countries in which we plan to expand our operations with a Joint Business Agreement (JBA). We may not be able to obtain those approvals, while other competitors might be approved. Accordingly, we might not be able to compete for the same routes as our competitors, which could diminish our market share and adversely impact our financial results. No assurances can be given as to any benefits, if any, that we may derive from such agreements.

OUR BUSINESS

Risk management

Some of our competitors may receive external support, which could adversely impact our competitive position.

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

Moreover, as a result of the competitive environment, there may be further consolidation in the Latin American and global airline industry, whether by means of acquisitions, joint ventures, partnerships or strategic alliances. We cannot predict the effects of further consolidation on the industry. Furthermore, consolidation in the airline industry and changes in international alliances will continue to affect the competitive landscape in the industry and may result in the development of airlines and alliances with increased financial resources, more extensive global networks and reduced cost structures.

Some of the countries where we operate may not comply with international agreements previously established, which could increase the risk perception of doing business in that specific market and as a consequence impact our business and financial results.

Rulings by a bankruptcy court in Brazil and by higher judicial authorities related to the bankruptcy proceedings of Avianca Brazil may appear to be inconsistent with the Cape Town Convention (CTC) treaty that Brazil has signed, thus raising concerns about the rights of creditors in respect of financings secured by aircraft. Accordingly, if creditors perceive that an increase business risk is created by these rulings for leasing or other financing transactions involving aircraft in Brazil, there is a possibility that rating agencies may issue lower credit ratings in respect of financings that are secured by aircraft in Brazil. As a result, our business and financial results may be adversely affected if our financing activities in Brazil are impacted by such events.

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

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

In 2016, the International Civil Aviation Organization ("ICAO") adopted a resolution creating the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), providing a framework for a global market-based measure to stabilize carbon dioxide ("CO_2") emissions in international civil aviation (i.e., civil aviation flights that depart in one country and arrive in a different country). CORSIA will be implemented in phases, starting with the participation of ICAO member states on a voluntary basis during a pilot phase (from 2021 through 2023), followed by a first phase (from 2024 through 2026) and a second phase (from 2027). Currently, CORSIA focuses on defining standards for monitoring, reporting and verification of emissions from air operators, as well as on defining steps to offset CO_2 emissions after 2020. To the extent most of the countries in which we operate continue to be ICAO member states, in the future we may be affected by regulations adopted pursuant to the CORSIA framework.

The proliferation of national regulations and taxes on CO_2 emissions in the countries that we have domestic operations, including environmental regulations that the airline industry is facing in Colombia, may also affect our costs of operations and our margins.

Our business may be adversely affected by a downturn in the airline industry caused by exogenous events that affect travel behavior or increase costs, such as outbreak of disease, weather conditions and natural disasters, war or terrorist attacks.

Demand for air transportation may be adversely impacted by exogenous events, such as adverse weather conditions and natural disasters, epidemics (such as Ebola and Zika) and outbreaks such as the recent coronavirus, terrorist attacks, war or political and social instability. Situations such as these in one or more of the markets in which we operate could have a material impact on our business, financial condition and results of operations. Furthermore, the current spread of the coronavirus and other adverse public health developments could have a prolonged effect on air transportation demand and any prolonged or widespread effects could significantly impact our operations.

OUR BUSINESS

Risk management

After the terrorist attacks in the United States on September 11, 2001, the Company made the decision to reduce its flights to the United States. In connection with the reduction in service, the Company reduced its workforce resulting in additional expenses due to severance payments to terminated employees during 2001. Any future terrorist attacks or threat of attacks, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations or otherwise and any related economic impact could result in decreased passenger traffic and materially and negatively affect our business, financial condition and results of operations.

After the 2001 terrorist attacks, airlines have experienced increased costs resulting from additional security measures that may be made even more rigorous in the future. In addition to measures imposed by the U.S. Department of Homeland Security and the TSA, IATA and certain foreign governments have also begun to institute additional security measures at foreign airports we serve.

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

A pandemic or the widespread outbreak of contagious illnesses can have a material adverse effect on our business and results of operations.

The widespread outbreak of a contagious illness such as the novel COVID-19 (Coronavirus), first identified in Wuhan, Hubei Province, China and which has been declared a pandemic by the World Health Organization (WHO), or fear of such an event, is materially reducing demand for, and availability of, worldwide air travel and therefore is having a material adverse effect on our business and results of operations.

In 2003, an outbreak of a coronavirus known as severe acute respiratory syndrome (SARS) originating in China became an epidemic and resulted in a slowdown of passenger air traffic due contagion fears. At the time, RPK growth was reduced due to oversupply in the market as airlines tried to cut capacity.

The recent outbreak of Coronavirus has negatively affected global economic conditions, disrupted supply chains and otherwise negatively impacted aircraft manufacturing operations and may reduce the availability of aircraft and aircraft spare parts. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore we cannot predict the impact it may have on the availability of aircraft or aircraft spare parts. However, the effect on our results may be material and adverse if supply chain disruptions persist and preclude our ability to adequately maintain our fleet.

The recent outbreak of Coronavirus has also led to government-imposed travel restrictions, flight cancellations, and a marked decline in passenger demand for air travel. Accordingly, LATAM Airlines Group and its affiliates implemented a reduction in international flights of approximately 30% and recently updated the decrease in capacity to approximately 70% of the total operations, corresponding 90% to international operations and 40% to domestic operations. These measures will apply principally to flights from South America to Europe and the US between April 1 and May 30, 2020. The potential for a period of significantly reduced demand for travel has and will likely continue to result in significant lost revenue. As a result of these or other conditions beyond our control, our results of operations could be volatile and subject to rapid and unexpected change. In addition, if the spread of the Coronavirus were to continue unabated, our operations could also be negatively affected if employees are quarantined as the result of exposure to the contagious illness. We cannot currently fully predict the impact that the Coronavirus outbreak will have on global air travel and the extent to which it may impact the demand for air travel in the regions we operate. Continued travel restrictions or operational issues resulting from the rapid spread of the Coronavirus or other contagious illnesses that adversely reduce demand for air travel in a part of the world in which we have significant operations could a material adverse effect on our business and results of operations.

We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our business exposes us to litigation relating to labor, insurance and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among

OUR BUSINESS

Risk management

other matters. Currently, as in the past, we are subject to proceedings or investigations of actual or potential litigation. Although we establish accounting provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our business. For further information, see Note 31 to our audited consolidated financial statements included in this report.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Chile, the United States and in the various countries we operate. Violations of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of all jurisdictions where we operate. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of laws or regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

Latin American governments have exercised and continue to exercise significant influence over their economies.

Governments in Latin America frequently intervene in the economies of their respective countries and occasionally make significant changes in policy and regulations. Governmental actions have often involved, among other measures, nationalizations and expropriations, price controls, currency devaluations, mandatory increases on wages and employee benefits, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as exchange rates and exchange control policies; inflation control policies; price control policies; consumer protection policies; import duties and restrictions; liquidity of domestic capital and lending markets; electricity rationing; tax policies, including tax increases and retroactive tax claims; and other political, diplomatic, social and economic developments in or affecting the countries where we operate.

For example, the Brazilian government's actions to control inflation and implement other policies have involved wage and price controls, depreciation of the real, controls over remittance of funds abroad, intervention by the Central Bank to affect base interest rates and other measures. In the future, the level of intervention by Latin American governments may continue or increase. We cannot assure you that these or other measures will not have a material adverse effect on the economy of each respective country and, consequently, will not adversely affect our business, financial condition and results of operations.

Political instability and social unrest in Latin America may adversely affect our business.

We operate primarily within Latin America and are thus subject to a full range of risks associated with our operations in this region. These risks may include unstable political or social conditions, lack of well-established or reliable legal systems, exchange controls and other limits on our ability to repatriate earnings and changeable legal and regulatory requirements.

Although political and social conditions in one country may differ significantly from another country, events in any of our key markets could adversely affect our business, financial conditions or results of operations.

For example, in Brazil, in the last couple of years, as a result of the ongoing Operation Car Wash (Lava Jato investigation), a number of senior politicians have resigned or been arrested and other senior elected officials and public officials are being investigated for allegations of corruption. One of the most significant events that elapsed from this operation was the impeachment of the former President Rousseff by the Brazilian Senate on August, 2016, for violations of fiscal responsibility laws and the governing of its Vice-President, Michel Temer, during the last two years of the presidential mandate, which due to the development of the investigations conducted by the Federal Police Department and the General Federal Prosecutor's Office indicted President Temer on corruption charges. Along with the political and economic uncertainty period the country was facing, in July 2017, former President Luiz Inácio Lula da Silva was convicted of corruption and money laundering by a lower federal court in the State of Paraná in connection with the Operation Car Wash (Lava Jato). In addition, Argentine presidential elections held in October 2019, saw the return of the former president of Argentina, Cristina Fernandez de Kirchner who was

OUR BUSINESS

Risk management

elected Vice-President and who was previously prosecuted for alleged corruption. In 2019, Peru experienced a constitutional crisis began when President Martín Vizcarra dissolved the Congress of Peru on September 30, 2019. The Peruvian Congress responded by declaring Vizcarra's presidency suspended and appointed Vice President Mercedes Aráoz as interim president, moves that were largely seen as null and void. The Peruvian Constitutional Court ruled that President Martín Vizcarra had not exceeded his powers when he took the step amid a stand-off between the government and opposition-controlled Congress. Opposition lawmakers had denounced it as a coup but the heads of armed forces and the police backed the president. In October 2019. Chile saw significant protests associated with economic conditions resulting in the declaration of a state of emergency in several major cities. The protests in Chile began over criticisms about a lack of quality education, weak pensions, increasing prices and low minimum wage. Current initiatives to address the concerns of the protesters are under discussion in the Chilean Congress. These initiatives include labor reforms, tax reforms and pension reforms, among others. It is not possible to predict the effect of these changes as they are still under discussion, but could potentially result in higher payments of wages and salaries and an increase in taxes. On April 26, 2020, Chile will hold a referendum on whether and how to change the current constitution, which could lead to additional protests. If social unrest in Chile were to continue or intensify, it could lead to operational delays or adversely impact our ability to operate in Chile. LATAM took a series of measures to alleviate the impact for its passengers, including refunds and changes of tickets. The Company estimated a total impact of approximately US$40 million for 2019.

Although conditions throughout Latin America vary from country to country, our customers' reactions to developments in Latin America generally may result in a reduction in passenger traffic, which could materially and negatively affect our financial condition and results of operations.

Latin American countries have experienced periods of adverse macroeconomic conditions.

Our business is dependent upon economic conditions prevalent in Latin America. Latin American countries have historically experienced economic instability, including uneven periods of economic growth as well as significant downturns. High interest, inflation (in some cases substantial and prolonged), and unemployment rates generally characterize each economy. Because commodities such as agricultural products, minerals, and metals represent a significant percentage of exports of many Latin American countries, the economies of those countries are particularly sensitive to fluctuations in commodity prices. Investments in the region may also be subject to currency risks, such as restrictions on the flow of money in and out of the country, extreme volatility relative to the U.S. dollar, and devaluation.

For example, in the past, Peru has experienced periods of severe economic recession, currency devaluation, high inflation, and political instability, which have led to adverse economic consequences. We cannot assure you that Peru will not experience similar adverse developments in the future even though for some years now, several democratic procedures have been completed without any violence. We cannot assure you that the current or any future administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. In Brazil, the Brazil Real GDP decreased 3.5% in 2015, decreased 3.3% in 2016, increased 1.1% in 2017 and increased 1.1% in 2018, according to the Brazilian Institute for Geography and Statistics (Instituto Brasileiro de Geografia e Estadística, or "IGBE"). In addition, the credit rating of the Brazilian federal government was downgraded in 2015 and 2016 by all major credit rating agencies and is no longer investment grade. We can offer no assurances as to the policies that may be implemented by the recently elected Argentine administration, or that political developments in Argentina will not adversely affect the Argentine economy.

Accordingly, any changes in the economies of the Latin American countries in which LATAM and its affiliates operate or the governments' economic policies may have a negative effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR COMMON SHARES AND ADSS

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

The major shareholder group, the Cueto Group (the "Cueto Group"), beneficially owned 21.46% of our common shares as of February 29, 2020. In addition, the Cueto Group entered into a shareholders' agreement with the Amaro Group (the "Amaro Group"), which as of February 29, 2020, held 1.98% of LATAM shares through TEP Chile, in addition to the indirect stake it has through the 21.88% interest it holds in Costa Verde Aeronáutica S.A., the main legal vehicle through which the Cueto Group holds LATAM shares,

OUR BUSINESS

Risk management

pursuant to which these two major shareholder groups have agreed to vote together to elect individuals to our board of directors in accordance with their direct and indirect shareholder interest in LATAM. Pursuant to the shareholders' agreement, the Cueto Group and the Amaro Group have also agreed to use their good faith efforts to reach an agreement and act jointly on all actions to be taken by our board of directors or shareholders' meeting, and if unable to reach to such agreement, to follow the proposals made by our board of directors. Decisions by the Company that require supermajority votes under Chilean law are subject to voting arrangements by the Cueto Group and the Amaro Group. In addition, other shareholders including, Delta Air Lines, Inc, which, as of February 29, 2020, held 20.00% of our common shares, and Qatar Airways Investments (UK) Ltd., which as of February 29, 2020, held 10.00%1 of our common shares, could have interests that may differ from those of our other shareholders. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders."

Under the terms of the deposit agreement governing the ADSs, if holders of ADSs do not provide JP Morgan Chase Bank, N.A., in its capacity as depositary for the ADSs, with timely instructions on the voting of the common shares underlying their ADRs, the depositary will be deemed to have been instructed to give a person designated by the board of directors the discretionary right to vote those common shares. The person designated by the board of directors to exercise this discretionary voting right may have interests that are aligned with our controlling shareholders, which may differ from those of our other shareholders. Historically, our board of directors has designated its chairman to exercise this right; for example, the members of the board of directors elected by the shareholders in 2019 designated Ignacio Cueto, to serve in this role.

1 Qatar holds 9.9999998% of LATAM's total subscribed and paid-in shares.

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

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

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

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

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

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

We cannot assure you that additional Chilean restrictions applicable to the holders of ADRs, the disposition of the common shares underlying ADSs or the repatriation of the proceeds from an acquisition, a disposition or a dividend payment, will not be imposed or required in the future, nor could we make an assessment as to the duration or impact, were any such restrictions to be imposed or required.

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

The Chilean Corporation Law provides that preemptive rights shall be granted to all shareholders whenever a company issues new shares for cash, giving such holders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We will not be able to offer

Risk management

shares to holders of ADSs and shareholders located in the United States pursuant to the preemptive rights granted to shareholders in connection with any future issuance of shares unless a registration statement under the U.S. Securities Act of 1933, as amended, (the "Securities Act"), is effective with respect to such rights and shares, or an exemption from the registration requirements of the Securities Act is available. At the time of any rights offering, we will evaluate the potential costs and liabilities associated with any such registration statement in light of any indirect benefit to us of enabling U.S. holders of ADRs evidencing ADSs and shareholders located in the United States to exercise preemptive rights, as well as any other factors that may be considered appropriate at that time, and we will then make a decision as to whether we will file a registration statement. We cannot assure you that we will decide to file a registration statement or that such rights will be available to ADS holders and shareholders located in the United States.

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

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

ENVIRONMENT

Operating ecoefficiency

Greenhouse gases (t CO_2e) [305-1, 305-2, 305-3 and 305-4]	2016	2017	2018	2019	Δ 2019/2018
Direct emissions[1]	11,343,650	11,051,171	11,513,608	12,149,725	5.52%
Indirect emissions[2]	15,767	24,498	16,759	18,423	9.93%
Other indirect emissions[3]	7,718	11,382	4,750	218,174	4,493.13%
Total	**11,367,134**	**11,087,051**	**11,535,117**	**12,386,323**	7.38%
Emissions intensity in total operations (kg CO_2e/100 RTK)	**83.02**	**79.89**	**80.34**	**83.69**	4.17%
Emissions intensity in air operations (kg CO_2e/100 RTK)	**82.56**	**79.45**	**80.06**	**82.02**	2.45%
Emissions intensity (net value) in total operations (kg CO_2e/100 RTK)[4]	**82.96**	**77.50**	**77.86**	**82.79**	6.33%

1 Direct emissions (Scope 1): fuel consumption in air operations, fixed sources, and LATAM fleet vehicles, as well as fugitive refrigerant gas emissions.

2 Indirect emissions (Scope 2): electric energy purchases. The emissions calculation considers the different energy grids of the countries where LATAM operates.

3 Other indirect emissions (Scope 3): ground transportation related to operations (employees, suppliers, and waste) and air travel (through other airlines) of employees for work reasons.

4 Considers offset emissions.

Source	Emission factor
Jet Fuel	**3.15 kg CO_2/kg fuel** (European Standard N° 601/2012)
Gasoline	**69,300 kg CO_2/TJ** (IPCC 2006)
Diesel	**74,100 kg CO_2/TJ** (IPCC 2006)
Natural gas	**56,100 kg CO_2/TJ** (IPCC 2006)
Liquefied petroleum gas (LPG)	**63,100 kg CO_2/TJ** (IPCC 2006)

IPCC: Intergovernmental Panel on Climate Change.

Scope of the information (%)	2016	2017	2018	2019
Jet fuel – air operation	100	100	100	100
Fuel – stationary sources				
Diesel	96	96	96	96
Natural gas	100	100	100	100
Gasoline	100	100	100	100
Liquefied petroleum gas (LPG)	94	100	100	100
Fuel – mobile sources				
Diesel	79	96	96	96
Gasoline	93	96	96	96
Liquefied petroleum gas (LPG)	100	100	100	100
Refrigerating gases (various)	100	100	100	100
Electricity	93	100	100	100
Transportation using other airlines (jet fuel)	96	100	100	100

Note: the calculation considers the scope of coverage of the information from each country of operation and the percentage share of total transportation measured in RPK.

EMPLOYEES

STRAIGHT TO THE POINT

Protected personnel

LATAM group and affiliates – occupational safety [403-2]	Woman		Man		Total	
Work injuries	**Total**	**Rate**	**Total**	**Rate**	**Total**	**Rate**
Argentina	7.5	0.7	11.0	0.9	18.5	0.8
Brazil	29.5	0.4	75.5	0.6	105.0	0.5
Chile	40.0	0.9	54.0	0.9	90.5	0.9
Colombia	10.0	1.6	12.0	1.5	22.0	1.6
Ecuador	4.0	1.1	3.0	0.8	7.0	0.9
Peru	49.0	2.8	10.5	0.5	59.5	1.5
Others (including the United States)	2.0	0.2	5.0	0.4	7.5	0.4
Total	**141.5**	**0.9**	**168.5**	**0.7**	**310.0**	**0.7**
Lost days	**Total**	**Rate**	**Total**	**Rate**	**Total**	**Rate**
Argentina	206.0	18.8	255	20.5	461.0	19.7
Brazil	149.0	2.0	868	6.4	1,017.0	4.9
Chile	606.0	13.5	1,072	17.8	1,678.0	16.0
Colombia	40.0	6.4	166	20.8	206.0	14.5
Ecuador	32.0	9.0	111	28.5	143.0	19.2
Peru	1,330.0	75.0	92	4.2	1,422.0	35.8
Others (including the United States)	13.0	1.5	292	25	305.0	14.8
Total	**2,376.0**	**14.3**	**2,856**	**11.3**	**5,232.0**	**12.5**
Fatalities		**Total**		**Total**		**Total**
Argentina		0		0		0
Brasil		0		0		0
Chile		0		0		0
Colombia		0		0		0
Ecuador		0		0		0
Peru		0		0		0
Others (including the United States)		0		0		0
Total		**0**		**0**		**0**

Notes:

Work injuries: accidents related to some critical risk and high-impact events (accidents resulting in over 100 days lost) total 1.5.

Injury rate: total injuries with work interruptions/average no. of employees x 100.

Lost days rate: total days lost / average no. of employees x 100. Includes work interruptions related to occupational diseases, accidents, or deaths. The days lost are computed in accordance with the local legislation in each country. Argentina, Colombia, and the United States start to count from the day after the accident; the other countries count from the day when the accident occurred. The indicators do not cover so-called commuting accidents.

Fatalities: there were no fatalities related to external workers' work.

METHODOLOGY

GRI content index

[102-44 and 103-1]

Material topic	Stakeholder group indicating relevance of topic	Boundaries: Where does The impact occur?	Boundaries: Organization's involvement	Chapter of the integrated report
Health and safety in the air and on the ground	Government, customers, employees and suppliers	The impact is seen inside the organization, mainly affecting the aircraft, airports, and other operational facilities.	LATAM determines different levels of management according to the type of event. There is a dedicated team that prepares the organization to manage emergencies on an ongoing basis.	Safety Employees
Ethics and anti-corruption	Press, customers, employees, suppliers and investors	The impact is seen inside the organization, affecting all employees and third parties, as well as the overall society.	LATAM has implemented a wide-ranging compliance program to manage impacts and minimize risks.	Corporate governance
On-time performance	Customers, employees and suppliers	The impact is on LATAM's main activity; that is, the flights it operates, affecting passenger perceptions and the business as a whole.	LATAM can manage a significant portion of the impacts, such as delays due to maintenance, managing air crews, and others. Some impacts are external to the organization, such as weather conditions, air traffic limitations, and congestion at airports.	Who we are Customers
Economic and financial sustainability	Press, customers, employees, suppliers and investors	The main impact is seen inside LATAM, and it can affect the brand, the loyalty program, the implementation of the business strategy, commercial relations, and others.	LATAM can adjust or restructure its strategy, even if most of the factors are beyond its control. The Group has a policy to manage and mitigate financial risks	Our business
Employee development	Customers, employees and suppliers	The impact is throughout LATAM's operations. Human resources management is directly linked with corporate performance.	LATAM manages employee talent and fosters commitment to corporate strategy.	Employees
Mitigating climate change	Customers, employees and suppliers	The main impact is on the environment and comes mainly from the use of fuel, which contributes to overall greenhouse gas emissions and, to a lesser extent, to the worsening of local air quality.	The impact is the result of the Group's operations, which is the reason why LATAM has a strategy for monitoring and managing climate change. Moreover, the Group is attentive to opportunities to incorporate new technologies and best practices that influence this issue.	Our business Environment
Customer focus	Press, customers, employees and suppliers	The impact occurs inside LATAM and with its customers, affecting market share and customer spending on the Group.	LATAM plays a key role in managing this impact, mainly with regard to its capacity to anticipate existing risks.	Customers
Destination network and connectivity	Press, customers, employees and suppliers	The development and growth of the destination network benefits the cities served, generating economicdevelopment through the reduced cost of doing business and transporting cargo, as well as increasing tourism.	LATAM plays a key role in managing and monitoring the factors that may influence this issue.	Who we are
Relations with authorities	Civil society organizations, industry associations, customers, employees, suppliers and investors	The impact from a change in the regulatory environment is seen inside the organization, affecting all the operations, and outside the organization, affecting the sector as a whole.	LATAM's role is to identify and monitor how decisions by public authorities may affect the Group's development and the airline industry, as well as connectivity in a country or region, and consumers.	Our business
Sustainable tourism	Customers and employees	The impact is on the destinations served by LATAM.	The capacity to manage this question varies in accordance with LATAM's share in the totalpassenger traffic to a determined location. The Group strives to play an active role in promot- ing a balance between tourism and the preser- vation of the local culture and environment.	Society

FINANCIAL INFORMATION

IN THIS CHAPTER

Financial statements 2019

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

CONTENTS

CLP	-	CHILEAN PESO
ARS	-	ARGENTINE PESO
US$	-	UNITED STATES DOLLAR
THUS$	-	THOUSANDS OF UNITED STATES DOLLARS
MUS$	-	MILLIONS OF UNITED STATES DOLLARS
COP	-	COLOMBIAN PESO
BRL/R$	-	BRAZILIAN REAL
THR$	-	THOUSANDS OF BRAZILIAN REAL

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

Santiago, March 3, 2020

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

We have audited the accompanying consolidated financial statements of Latam Airlines Group S.A. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and as at January 1, 2018 and the consolidated statements of income by function, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows – direct method for the years ended December 31, 2019 and 2018, and the corresponding notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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Santiago, March 3, 2020
Latam Airlines Group S.A. and subsidiaries
2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Latam Airlines Group S.A. and subsidiaries as at December 31, 2019 and 2018 and January, 1, 2018, and the results of operations and cash flows for the years ended December 31, 2019 and 2018 in accordance with the International Financial Reporting Standards (IFRS).

Emphasis of matter

As described in note 2.1 to the consolidated financial statements, on January 1, 2019, the company adopted IFRS 16 - Leases, which establishes the principles for the recognition, measurement, presentation and disclosure of leases. The Company has chosen to apply this standard retrospectively, restating the balances as at January 1 and December 31, 2018. Our opinion is not modified in respect of this matter.

Digitally signed by Renzo Piero Corona Spedaliere RUT: 6.373.028-9. The digital certificate is embedded in the electronic version of this document.

Contents of the Notes to the consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$ Restated	As of January 1, 2018 ThUS$ Restated
Cash and cash equivalents				
Cash and cash equivalents	6 - 7	1,072,579	1,081,642	1,142,004
Other financial assets	7 - 11	499,504	383,984	559,919
Other non-financial assets	12	313,449	290,476	244,778
Trade and other accounts receivable	7 - 8	1,244,348	1,162,582	1,202,945
Accounts receivable from related entities	7 - 9	19,645	2,931	2,582
Inventories	10	354,232	279,344	236,666
Current tax assets	18	29,321	69,134	77,987
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		3,533,078	3,270,093	3,466,881
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	13	485,150	5,768	291,103
Total current assets		4,018,228	3,275,861	3,757,984
Non-current assets				
Other financial assets	7 - 11	46,907	58,700	88,090
Other non-financial assets	12	204,928	227,541	212,203
Accounts receivable	7 - 8	4,725	5,381	6,891
Intangible assets other than goodwill	15	1,448,241	1,441,072	1,617,247
Goodwill	16	2,209,576	2,294,072	2,672,550
Property, plant and equipment	17	12,919,618	12,501,809	12,930,652
Current tax assets, non-current	18	-	757	17,532
Deferred tax assets	18	235,583	273,529	370,564
Total non-current assets		17,069,578	16,802,861	17,915,729
Total assets		21,087,806	20,078,722	21,673,713

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

LIABILITIES	Note	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$ Restated	As of January 1, 2018 ThUS$ Restated
Current liabilities				
Other financial liabilities	7 - 19	1,885,660	1,794,286	1,619,979
Trade and other accounts payables	7 - 20	2,222,874	1,674,303	1,668,612
Accounts payable to related entities	7 - 9	56	382	760
Other provisions	21	5,206	4,794	2,783
Current tax liabilities	18	11,925	3,738	3,511
Other non-financial liabilities	22	2,835,221	2,454,746	2,901,603
Total current liabilities other than non-(or disposal groups) classified as held for sale		6,960,942	5,932,249	6,197,248
Liabilities included in disposal groups classified as held for sale	13	-	-	15,546
Total current liabilities		6,960,942	5,932,249	6,212,794
Non-current liabilities				
Other financial liabilities	7 - 19	8,530,418	8,359,462	9,433,450
Accounts payable	7 - 24	619,110	529,277	559,443
Other provisions	21	286,403	303,495	374,593
Deferred tax liabilities	18	616,803	786,571	877,748
Employee benefits	23	93,570	82,365	101,087
Other non-financial liabilities	22	851,383	644,702	158,305
Total non-current liabilities		10,997,687	10,705,872	11,504,626
Total liabilities		17,958,629	16,638,121	17,717,420
EQUITY				
Share capital	25	3,146,265	3,146,265	3,146,265
Retained earnings	25	352,272	218,971	(41,012)
Treasury Shares	25	(178)	(178)	(178)
Other reserves		(367,577)	(4,365)	760,761
Parent's ownership interest		3,130,782	3,360,693	3,865,836
Non-controlling interest	14	(1,605)	79,908	90,457
Total equity		3,129,177	3,440,601	3,956,293
Total liabilities and equity		21,087,806	20,078,722	21,673,713

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	Note	For the year ended December 31, 2019 ThUS$	2018 ThUS$ Restated
Revenue	26	10,070,063	9,895,456
Cost of sales		(7,951,269)	(7,773,432)
Gross margin		2,118,794	2,122,024
Other income	28	360,864	472,758
Distribution costs		(580,046)	(615,214)
Administrative expenses		(735,218)	(736,333)
Other expenses		(422,792)	(356,250)
Other gains/(losses)		11,525	53,499
Income from operation activities		753,127	940,484
Financial income		26,283	53,253
Financial costs	27	(589,934)	(539,137)
Foreign exchange gains/(losses)	29	(32,571)	(38,070)
Result of indexation units		(14,989)	(865)
Income (loss) before taxes		141,916	415,665
Income tax expense / benefit	18	53,697	(73,879)
NET INCOME (LOSS) FOR THE YEAR		195,613	341,786
Income (loss) attributable to owners of the parent		190,430	309,811
Income (loss) attributable to non-controlling interest	14	5,183	31,975
Net income (loss) for the year		195,613	341,786
EARNINGS PER SHARE			
Basic earnings (losses) per share (US$)	30	0.31403	0.51090
Diluted earnings (losses) per share (US$)	30	0.31403	0.51090

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31, 2019 ThUS$	2018 ThUS$ Restated
NET INCOME		195,613	341,786
Components of other comprehensive income that will not be reclassified to income before taxes			
Other comprehensive income, before taxes, gains by new measurements on defined benefit plans	25	(10,636)	(5,819)
Total other comprehensive income (loss) that will not be reclassified to income before taxes		(10,636)	(5,819)
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	29	(243,271)	(743,516)
Other comprehensive (loss), before taxes, currency translation differences		(243,271)	(743,516)
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	19	66,856	(27,797)
Other comprehensive income (losses), before taxes, cash flow hedges		66,856	(27,797)
Total other comprehensive (loss) that will be reclassified to income before taxes		(176,415)	(771,313)
Other components of other comprehensive income (loss), before taxes		(187,051)	(777,132)
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	2,873	1,566
Accumulate income tax relating to other comprehensive income (loss) that will not be reclassified to income (loss)		2,873	1,566
Income tax relating to other comprehensive income (loss) that will be reclassified to income			
Income tax related to cash flow hedges in other comprehensive income (loss)		414	(269)
Income taxes related to components of other comprehensive (loss) will be reclassified to income		414	(269)
Total Other comprehensive (loss)		(183,764)	(775,835)
Total comprehensive income (loss)		11,849	(434,049)
Comprehensive income (loss) attributable to owners of the parent		15,250	(452,844)
Comprehensive income (loss) attributable to non-controlling interests		(3,401)	18,795
TOTAL COMPREHENSIVE INCOME (LOSS)		11,849	(434,049)

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent											
				Change in other reserves									
	Note	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Actuarial gains or losses on 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, 2019													
Restated		3,146,265	(178)	(2,656,644)	(9,333)	(15,178)	37,874	2,638,916	(4,365)	218,971	3,360,693	79,908	3,440,601
Total increase (decrease) in equity													
Net income for the year	25	-	-	-	-	-	-	-	-	190,430	190,430	5,183	195,613
Other comprehensive income		-	-	(233,643)	66,225	(7,762)	-		(175,180)	-	(175,180)	(8,584)	(183,764)
Total comprehensive income		-	-	(233,643)	66,225	(7,762)	-	-	(175,180)	190,430	15,250	(3,401)	11,849
Transactions with shareholders													
Dividends	25	-	-	-	-	-	-	-	-	(57,129)	(57,129)	-	(57,129)
Increase (decrease) through transfers and other changes, equity	25-34	-	-	-	-	-	(1,585)	(186,447)	(188,032)	-	(188,032)	(78,112)	(266,144)
Total transactions with shareholders		-	-	-	-	-	(1,585)	(186,447)	(188,032)	(57,129)	(245,161)	(78,112)	(323,273)
Closing balance as of December 31, 2019		3,146,265	(178)	(2,890,287)	56,892	(22,940)	36,289	2,452,469	(367,577)	352,272	3,130,782	(1,605)	3,129,177

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent											
				Change in other reserves									
	Note	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Actuarial gains or losses on 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, 2018		3,146,265	(178)	(2,131,591)	18,140	(10,926)	39,481	2,639,780	554,884	475,118	4,176,089	91,147	4,267,236
Increase (decrease) by application of new accounting standards	2 - 25	-	-	205,877	-	-	-	-	205,877	(516,130)	(310,253)	(690)	(310,943)
Initial balance Restated		3,146,265	(178)	(1,925,714)	18,140	(10,926)	39,481	2,639,780	760,761	(41,012)	3,865,836	90,457	3,956,293
Total increase (decrease) in equity													
Net income for the year	25	-	-	-	-	-	-	-	-	309,811	309,811	31,975	341,786
Other comprehensive income		-	-	(730,930)	(27,473)	(4,252)	-	-	(762,655)	-	(762,655)	(13,180)	(775,835)
Total comprehensive income		-	-	(730,930)	(27,473)	(4,252)	-	-	(762,655)	309,811	(452,844)	18,795	(434,049)
Transactions with shareholders													
Dividends	25	-	-	-	-	-	-	-	-	(54,580)	(54,580)	-	(54,580)
Increase (decrease) through transfers and other changes, equity	25-34	-	-	-	-	-	(1,607)	(864)	(2,471)	4,752	2,281	(29,344)	(27,063)
Total transactions with shareholders		-	-	-	-	-	(1,607)	(864)	(2,471)	(49,828)	(52,299)	(29,344)	(81,643)
Closing balance as of December 31, 2018 Restated		3,146,265	(178)	(2,656,644)	(9,333)	(15,178)	37,874	2,638,916	(4,365)	218,971	3,360,693	79,908	3,440,601

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the year ended December 31, 2019 ThUS$	2018 ThUS$ Restated
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		11,079,333	10,787,804
Other cash receipts from operating activities		127,683	95,099
Payments for operating activities			
Payments to suppliers for goods and services		(6,663,875)	(6,775,003)
Payments to and on behalf of employees		(1,644,806)	(1,789,022)
Other payments for operating activities		(267,643)	(255,988)
Income taxes (paid)		(45,311)	(29,186)
Other cash inflows (outflows)	35	241,286	39,612
Net cash flows from operating activities		2,826,667	2,073,316
Cash flows from investing activities			
Cash flows from losses of control of subsidiaries or other businesses		-	69,724
Other cash receipts from sales of equity or debt instruments of other entities		4,063,582	3,640,208
Other payments to acquire equity or debt instruments of other entities		(4,131,890)	(3,542,839)
Amounts raised from sale of property, plant and equipment		50,322	223,753
Purchases of property, plant and equipment		(1,276,621)	(660,707)
Purchases of intangible assets		(140,173)	(96,206)
Interest received		17,822	10,175
Other cash inflows (outflows)	35	(2,249)	(2,476)
Net cash flow (used in) investing activities		(1,419,207)	(358,368)
Cash flows from financing activities	35		
Payments for changes in ownership interests in subsidiaries that do not result in loss of control		(294,105)	(2)
Amounts raised from long-term loans		1,781,728	779,062
Amounts raised from short-term loans		93,000	293,000
Loans repayments		(1,860,455)	(1,738,348)
Payments of lease liabilities		(398,992)	(373,439)
Dividends paid		(55,116)	(72,620)
Interest paid		(550,877)	(540,303)
Other cash inflows (outflows)		(58,704)	44,053
Net cash flows (used in) financing activities		(1,343,521)	(1,608,597)
Net increase in cash and cash equivalents before effect of exchanges rate change		63,939	106,351
Effects of variation in the exchange rate on cash and cash equivalents		(73,002)	(166,713)
Net increase (decrease) in cash and cash equivalents		(9,063)	(60,362)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	6	1,081,642	1,142,004
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	6	1,072,579	1,081,642

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019 AND 2018

NOTE 1 - GENERAL INFORMATION

LATAM Airlines Group S.A. (the "Company") is a public limited company registered with the Commission for the Financial Market under No. 306, whose shares are listed in Chile on the Electronic Stock Exchange of Chile - Stock Exchange and the Santiago Stock Exchange - Stock Exchange, besides being listed in the United States of America on the New York Stock Exchange ("NYSE"), in the form of American Depositary Receipts ("ADRs").

Its main business is the air transport of passengers and cargo, both in the domestic markets of Chile, Peru, Argentina, Colombia, Ecuador and Brazil, as well as in a series of regional and international routes in America, Europe and Oceania. These businesses are developed directly or by its subsidiaries in Ecuador, Peru, Brazil, Colombia, Argentina and Paraguay. In addition, the Company has subsidiaries that operate in the cargo business in Chile, Brazil and Colombia.

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

As of December 31, 2019, the Company's statutory capital is represented by 606,407,693 ordinary shares without nominal value. All shares are subscribed and paid considering the capital reduction that occurred in full, after the legal period of three years to subscribe the balance of 466,832 outstanding shares, of the last capital increase approved in August of the year 2016.

The shareholder major 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. e Inversiones La Espasa Dos y Cía. Ltda., Owns 21.46% of the shares issued by the Company.

As of December 31, 2019, the Company had a total of 1,228 shareholders in its registry. At that date, approximately 4.17% of the Company's property was in the form of ADRs.

For the period ended December 31, 2019, the Company had an average of 41,043 employees, ending this period with a total number of 41,729 people, distributed in 6,966 Administration employees, 4,911 in Maintenance, 13,538 in Operations, 9,511 Cabin Crew, 4,298 Cockpit Crew and 2,505 in Sales.

2

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

a) Participation rate

Tax No.	Company	Country of origin	Functional Currency	As December 31, 2019 Direct %	Indirect %	Total %	As December 31, 2018 Direct %	Indirect %	Total %
96.518.860-6	Latam Travel Chile S.A. and Subsidiary	Chile	US$	-	-	-	99.9900	0.0100	100.0000
96.969.680-0	Lan Pax Group S.A. and Subsidiaries	Chile	US$	99.8361	0.1639	100.0000	99.8361	0.1639	100.0000
Foreign	Latam Airlines Perú S.A.	Peru	US$	49.0000	21.0000	70.0000	49.0000	21.0000	70.0000
93.383.000-4	Lan Cargo S.A.	Chile	US$	99.8940	0.0041	99.8981	99.8940	0.0041	99.8981
Foreign	Connecta Corporation	U.S.A.	US$	100.0000	0.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Prime Airport Services Inc. and Subsidiary	U.S.A.	US$	99.9714	0.0286	100.0000	0.0000	100.0000	100.0000
96.951.280-7	Transporte Aéreo S.A.	Chile	US$	99.9999	0.0001	100.0000	0.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	99.8900	0.1100	100.0000	0.0000	100.0000	100.0000
Foreign	Laser Cargo S.R.L.	Argentina	ARS	96.2208	3.7792	100.0000	0.0000	100.0000	100.0000
Foreign	Lan Cargo Overseas Limited and Subsidiaries	Bahamas	US$	99.9800	0.0200	100.0000	0.0000	100.0000	100.0000
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary	Chile	US$	99.0000	1.0000	100.0000	0.0000	100.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and Subsidiaries	Chile	US$	99.7100	0.2900	100.0000	99.7100	0.2900	100.0000
96.847.880-K	Technical Trainning LATAM S.A.	Chile	CLP	99.8300	0.1700	100.0000	99.8300	0.1700	100.0000
Foreign	Latam Finance Limited	Cayman Island	US$	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
Foreign	Peuco Finance Limited	Cayman Island	US$	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
Foreign	Profesional Airline Services INC.	U.S.A.	US$	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
Foreign	Jarletul S.A.	Uruguay	US$	99.0000	1.0000	100.0000	99.0000	1.0000	100.0000
Foreign	TAM S.A. and Subsidiaries (*)	Brazil	BRL	63.0901	36.9099	100.0000	63.0901	36.9099	100.0000

(*) As of December 31, 2019, the indirect participation percentage on TAM S.A. and Subsidiaries is from Holdco I S.A., a company over which LATAM Airlines Group S.A. it has a 99.9983% share on economic rights and 51.04% of political rights. Its percentage arise as a result of the provisional measure No. 863 of the Brazilian government implemented in December 2018 that allows foreign capital to have up to 100% of the property.

3

b) Financial Information

Tax No.	Company	Statement of financial position: As of December 31, 2019 Assets ThUS$	Liabilities ThUS$	Equity ThUS$	As of December 31, 2018 Assets ThUS$	Liabilities ThUS$ Restated	Equity ThUS$	Net Income, For the year ended December 31, Gain /(loss) 2019 ThUS$	2018 ThUS$ Restated
96.518.860-6	Latam Travel Chile S.A. and Subsidiary	-	-	-	10,841	3,909	6,932	-	2,385
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (*)	632,673	1,487,248	(853,624)	526,017	1,281,800	(751,960)	(26,551)	(48,061)
Foreign	Latam Airlines Perú S.A.	519,363	510,672	8,691	419,325	409,221	10,104	(3,550)	5,416
93.383.000-4	Lan Cargo S.A.	634,852	462,666	172,186	513,367	336,715	176,652	(4,157)	(34,322)
Foreign	Connecta Corporation	64,110	24,023	40,087	66,593	28,183	38,410	1,677	16,923
Foreign	Prime Airport Services Inc. and Subsidiary (*)	22,068	23,102	(1,034)	15,817	17,654	(1,837)	802	1,225
96.951.280-7	Transporte Aéreo S.A.	359,335	142,423	216,912	331,496	129,233	202,263	14,610	(17,609)
96.631.520-2	Fast Air Almacenes de Carga S.A.	20,182	12,601	7,581	17,057	9,614	7,443	796	(3)
Foreign	Laser Cargo S.R.L.	(10)	-	(10)	26	13	13	-	(3)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (*)	48,929	15,228	33,450	53,326	13,040	40,028	(6,579)	19,121
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (*)	65,422	78,890	(12,111)	181,522	192,059	(9,614)	(2,497)	497
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (*)	1,329	50	1,279	1,383	50	1,333	(54)	(4,774)
96.847.880-K	Technical Trainning LATAM S.A.	2,378	1,075	1,303	2,879	1,031	1,848	(282)	884
Foreign	Latam Finance Limited	1,362,762	1,531,238	(168,476)	679,034	756,774	(77,740)	(90,736)	(47,723)
Foreign	Peuco Finance Limited	664,458	664,458	-	608,191	608,191	-	-	-
Foreign	Profesional Airline Services INC.	3,509	1,950	1,559	2,430	1,967	463	1,096	197
Foreign	Jarletul S.A.	150	860	(710)	18	125	(107)	(603)	(107)
Foreign	TAM S.A. and Subsidiaries (*)	5,090,180	3,550,875	1,539,305	4,420,546	3,256,017	1,164,529	186,140	389,072

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

Additionally, special purpose entities have been consolidated: 1. Chercán Leasing Limited, created for aircraft advances financing; 2. Guanay Finance Limited, created for the issuance of secured bonds with future credit card payments; 3. Private investment funds; 4. Dia Patagonia Limited, Alma Leasing C.O. Limited, FC Initial Leasing Limited, Vari Leasing Limited, Dia Iguazu Limited, Condor Leasing C.O. Limited, FI Timothy Leasing Limited, Yamasa Sangyo Aircraft LA1 Kumiai, Yamasa Sangyo Aircraft LA2 Kumiai, LS-Aviation No.19 C.O. Limited, LS-Aviation No.20 C.O. Limited, LS-Aviation No.21 C.O. Limited, LS-Aviation No.22 C.O. Limited and LS-Aviation No.23 Co. Limited created for aircraft financing. Those companies have been consolidated as required by IFRS 10.

All controlled entities have been included in the consolidation.

Changes occurred in the consolidation perimeter between January 1, 2018 and December 31, 2019, are detailed below:

(1) Incorporation or acquisition of companies

- 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., and its main activity is a travel agency.

- As of December 31, 2018, Inversiones LAN S.A., subsidiary of LATAM Airlines Group S.A., acquired 5,319 shares of Aerovías de Integración Regional Aires S.A. a non-controlling shareholder, consequently, the indirect participation of LATAM Airlines Group S.A. corresponds to 99.2012%.

- In April 2019, TAM Linhas Aereas S.A, through a public offering of shares, acquired 27.26% of the shares of Multiplus S.A., owned by minority shareholders. Subsequently, the Company TAM S.A assigned 72,74% of its stake in Multiplus S.A., through a capital increase, to TAM Linhas Aerea S.A.; Because of 100% of the shares remain under the control of TAM Linhas Aereas S.A. a merge with Multiplus S.A. was materialized, leaving Multiplus S.A. from being an independent company on May 31, 2019. As result of the merger by incorporation, the Coalition and Loyalty Program of Multiplus S.A. which was identified as an independent Cash Generating Unit (CGU), and which also represented an operating segment, becomes part, as well as, the other loyalty programs of the group (LATAM Pass and LATAM Fidelidade), of the CGU Air Transport. Additionally, from that moment LATAM has a single operating segment within the Group.

  The value of the acquisition of this transaction was ThUS $ 294,105.

- By public deed dated November 20, 2019 LATAM Airlines Group S.A. acquires 100% of the shares of LATAM Travel Chile S.A.

  Under the provisions of No. 2 of Art. 103 of Law No. 18,046 on Corporations, for having collected all the shares held by a single shareholder and for having elapsed the period of 10 days without having amended said situation, the company LATAM Travel Chile S.A. It has been fully dissolved on December 1, 2019.

  As a result of the dissolution of the company LATAM Travel Chile S.A., the company LATAM Airlines Group S.A. assumes from that date all obligations and rights corresponding to the first.

(2) Disposal of companies.

- On May 7, 2018 LATAM Airlines Group S.A. and its subsidiaries Inversiones LAN S.A. and LAN Pax Group S.A., sold, assigned and transferred to the Spanish companies Acciona Airport Services, S.A. and Acciona Aeropuertos, S.L., 100% of its shares in the subsidiary Andes Airport Services S.A.

  The sale value of Andes Airport Services S.A. it was ThUS$ 39,108

- On November 30, 2018, Mas Investment Limited, a subsidiary of LATAM Airlines Group S.A., sold to Puente Aéreo Corporación S.A. de C.V. his participation in the companies Aero Transportes Mas de Carga S.A. de C.V. and Promotora Aérea Latino Americana S.A. de C.V.

  The sale value of this transaction was ThUS$ 29,466.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation

These consolidated financial statements of LATAM Airlines Group S.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and with the interpretations issued by the interpretations committee of the International Financial Reporting Standards (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.

The consolidated financial statements have been prepared in accordance with the accounting policies used by the Company for the consolidated financial statements 2018, except for the standards and interpretations adopted as of January 1, 2019.

(a) Accounting pronouncements with implementation effective from January 1, 2019:

	Date of issue	Effective Date:
(i) Standards and amendments		
IFRS 16: Leases.	january 2016	01/01/2019
Amendment to IFRS 9: Financial instruments	october 2017	01/01/2019
Amendment to IAS 28: Investments in associates and joint ventures	october 2017	01/01/2019
Amendment to IAS 19: Benefits to employees	february 2018	01/01/2019
(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	01/01/2019
(iii) Interpretations		
IFRIC 23: Uncertain tax positions	june 2017	01/01/2019

The application of these accounting pronouncements as of January 1, 2019, had no significant effects on the consolidated financial statements of the Company; with the exception of those originated by the application of IFRS 16: Leases described as follow.

During the year, the Company has recognized the changes, in the consolidated financial statements, as a result of the adoption of IFRS 16 retrospectively; restating the comparative figures, in accordance with the provisions of IAS 8 Accounting policies, changes in accounting estimates and errors.

The impacts of the adoption of IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts with customers and IFRS 16 Leases are as follows:

Consolidated statement of financial position (extract)

a) As of January 1, 2018:

	Note	As of December 31, 2017	Adoption impact IFRS 9	Adoption impact IFRS 15	As of January 1 2018	Adoption impact IFRS 16	As of January 1, 2018
		ThUS$	THUS$	ThUS$	ThUS$	ThUS$	ThUS$ Restated
Current assets							
Other non-financial assets, current	12	221,188	-	54,361 (4)	275,549	(30,771) (9)	244,778
Trade debtors and other accounts receivable, current	7 - 8	1,214,050	(11,105) (1)	-	1,202,945	-	1,202,945
Non-current assets							
Other non-financial assets, non current	12	220,807	-	-	220,807	(8,604) (9)	212,203
Properties, plants and equipment	17	10,065,335	-	-	10,065,335	2,865,317 (9)	12,930,652
Deferred tax assets	18	364,021	89 (2)	6,005 (7)	370,115	449 (10)	370,564
Current liabilities							
Other current financial liabilities	7 - 19	1,300,949	-	-	1,300,949	319,030 (11)	1,619,979
Trade and other accounts payables	7 - 20	1,695,202	-	(22,192) (5)	1,673,010	(4,398) (9)	1,668,612
Other non-financial liabilities, current	22	2,823,963	-	77,640 (6)	2,901,603	-	2,901,603
Non-current liabilities							
Other non current financial liabilities	7-19	6,605,508	-	-	6,605,508	2,827,942 (11)	9,433,450
Accounts payable commercial and other	7 - 24	498,832	-	-	498,832	60,611 (9)	559,443
Deferred tax liability	18	949,697	(1,021) (2)	4,472 (5)	953,148	(75,400) (10)	877,748
Equity							
Equity attributable to the owners of the parent							
Accumulated earnings	25	475,118	(9,995) (3)	446 (8)	465,569	(506,581) (12)	(41,012)
Other reserves	25	554,884	-	-	554,884	205,877 (12)	760,761
Non-controlling interest	14	91,147	-	-	91,147	(690) (12)	90,457

7

b) As of December 31, 2018:

	Note	As of December 31, 2018	Adoption impact IFRS 16		As of December 31, 2018
		ThUS$	ThUS$		ThUS$ Restated
Current assets					
Other non-financial assets, current	12	320,977	(30,501)	(9)	290,476
Non-current assets					
Other non-financial assets, non current	12	233,741	(6,200)	(9)	227,541
Properties, plants and equipment	17	9,953,365	2,548,444	(9)	12,501,809
Deferred tax assets	18	273,328	201	(10)	273,529
Current liabilities					
Other current financial liabilities	7 - 19	1,430,789	363,497	(11)	1,794,286
Non-current liabilities					
Other non current financial liabilities	7-19	5,864,910	2,494,552	(11)	8,359,462
Accounts payable commercial and other	7 - 24	483,656	45,621	(9)	529,277
Deferred tax liability	18	872,121	(85,550)	(10)	786,571
Equity					
Equity attributable to the owners of the parent					
Accumulated earnings	25	597,676	(378,705)	(12)	218,971
Other reserves	25	(76,926)	72,561	(12)	(4,365)
Non-controlling interest	14	79,940	(32)	(12)	79,908

- Effects of adopting IFRS 9

(1) Expected credit losses: The Company modified the calculation of the impairment provision to comply with the expected credit loss model, established in IFRS 9 Financial Instruments, which replaces the current loss impairment model incurred. To the calculate 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					
	Up to date ThUS$	Up to 90 days ThUS$	Up to 91 to 180 days ThUS$	Up to 181 to 360 days ThUS$	More than 360 days ThUS$	Total 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:

Assets	Classification IAS 39				Classification IFRS 9		
	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	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of December 31, 2017	2,446,864	62,867	1,915	501,890	-	-	3,013,536
Cash and cash equivalents	(1,112,346)	-	-	(29,658)	1,112,346	29,658	-
Other financial assets, current	(23,918)	-	(1,421)	(472,232)	23,918	473,653	-
Trade debtors and other accounts receivable, current	(1,214,050)	-	-	-	1,214,050	-	-
Accounts receivable from entities related, current	(2,582)	-	-	-	2,582	-	-
Other financial assets, non-current	(87,077)	-	(494)	-	87,077	494	-
Accounts receivable, non-current	(6,891)	-	-	-	6,891	-	-
Balance as of January 1, 2018	-	62,867	-	-	2,446,864	503,805	3,013,536

Liabilities	Classification IAS 39		Classification IFRS 9	
	Others financial liabilities	Held hedge derivatives	Cost amortized	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of December 31, 2017	10,086,434	14,817	-	10,101,251
Other current financial liabilities	(1,288,749)	-	1,288,749	-
Trade accounts payable and other accounts payable, current	(1,695,202)	-	1,695,202	-
Accounts payable to related entities, current	(760)	-	760	-
Other financial liabilities, not current	(6,602,891)	-	6,602,891	-
Accounts payable, not current	(498,832)	-	498,832	-
Balance as of January 1, 2018 (*)	-	14,817	10,086,434	10,101,251

(*) Balances as of January 1, 2018 do not contain the re-expression effects originated by IFRS 16.

- Effects of adopting IFRS 15

(4) Contract costs: The Company has capitalized the costs related to the revenues from air transport of passengers, corresponding to: the commissions charged by the credit card administrators for US$ 22.0 million and the air ticket booking services through the system general distribution (GDS) for US$ 15.6 million. Additionally, there is a reclassification of commissions from travel agencies

for US$ 16.8 million, which previously were presented, according IAS 18, net of the liability to fly in other non-financial liabilities.

(5)Contract liabilities: The Company has adjusted certain concepts that were recorded as obligations with suppliers and customers, which must now be treated as contract liabilities; therefore, they must be deferred until the benefit of the service have been rendered. These concepts are mainly related to the ground transportation service for US $ 15.6 million and traveler's checks for US $ 6.6 million.

(6) Performance Obligations: The Company analyzed the moment in which the performance obligations identified in the contracts with customers must be recognized in the consolidated result. During this analysis, some concepts were identified which must be deferred until the moment of service provision, mainly related to land transportation services, charges for modifications to the initial contract in the sale of tickets and redeem of some products associated with loyalty programs for US$ 60.8 million. Additionally, there is the reclassification detailed in numeral (4) for US$ 16.8 million.

(7) Deferred tax adjustments originated by the application of IFRS 15.

(8) Net effect on accumulated results of the adjustments indicated above.

Additionally, the Company concluded that, in the rendering of certain services, it acted as agent in the provision of these services, therefore some reclassifications were made in the consolidated income statement to reflect the corresponding commission.

- Effects of adopting IFRS 16

(9) Company recognized under Property, plant and equipment right of use assets for US $ 2,865.3 million as of January 1, 2018 and US $ 2,548.4 as of December 31, 2018, associated with contracts that meet the definition of lease (Note 2.21 & 17).

The Company decrease other financial assets related to advance payments for leases for US $ 39.4 million as of January 1, 2018 and US $ 36.7 as of December 31, 2018, since with the application of the standard these amounts are considered in the initial measurement of the right of use asset.
The Company increased the cost of restoration associated with the return of aircraft and engines for US $ 56.2 million as of January 1, 2018 and US $ 45.6 million as of December 31, 2018. With the application of the standard, the net present value of this cost was included in the asset for right of use and its counterpart in the line of accounts payable, current or non-current, depending on the return date of the aircraft or engines.

(10) Deferred taxes: adjustments originated by the application of IFRS 16.

(11) Lease liabilities: The Company recognized within the Other financial liabilities for lease for US $ 3,147.0 million as of January 1, 2018 and US $ 2,858.0 million as of December 31, 2018, associated with contracts that meet the definition of lease (Note 2.21 & 19).

(12) The effect of the recognition of the leases under IFRS 16 generated a decrease in retained earnings of US $ 506.6 million as of January 1, 2018 (US $ 378.7 million as of December 31, 2018). The increase in Other reserves of US $ 205.9 million as of January 1, 2018 (decrease of US $72,5 million as of December 31, 2018), was caused by the Cumulative translation adjustment of

those subsidiaries with functional currencies other than the US dollar. The application of IFRS 16 also affected non-controlling interests.

Impact recognized as a result of the adoption of IFRS 15 and IFRS 16 as of December 31, 2018 are presented in the consolidated income statement:

Reconciliation Revenue		For the year ended december 31, 2018						
			Adjustments for reconciliation					
	Nota	Results under IFRS 15	Adoption impact IFRS16	Results under IFRS 15	Contract costs (4)	Deferred revenues recognition [(5), (6)]	Reclassifications	Results under IAS 18
		ThUS$ Published	ThUS$	ThUS$ Restated IFRS 16	ThUS$	ThUS$	ThUS$	ThUS$
Revenue	26	9,895,456	-	9,895,456	-	48,561	31,501	9,975,518
Cost of sales		(7,962,843)	189,411	(7,773,432)	-	(34,986)	-	(7,808,418)
Gross margin		1,932,613	189,411	2,122,024	-	13,575	31,501	2,167,100
Other income	28	472,758	-	472,758	-	-	42,563	515,321
Distribution costs		(619,200)	3,986	(615,214)	(43)	-	(20,003)	(635,260)
Administrative expenses		(721,270)	(15,063)	(736,333)	(806)	-	(54,061)	(791,200)
Other expenses		(359,781)	3,531	(356,250)	-	-	-	(356,250)
Other gains (losses)		53,499	-	53,499	-	-	-	53,499
Income from operation activities		758,619	181,865	940,484	(849)	13,575	-	953,210
Financial income		53,253	-	53,253	-	-	-	53,253
Financial costs	27	(356,269)	(182,868)	(539,137)	-	-	-	(539,137)
Foreign exchange gains (losses)	29	(157,709)	119,639	(38,070)	-	-	-	(38,070)
Result of indexation units		(865)	-	(865)	-	-	-	(865)
Income (loss) before taxes		297,029	118,636	415,665	(849)	13,575	-	428,391
Income (loss) tax expense / benefit	18	(83,782)	9,903	(73,879)	(23)	(1,030)	-	(74,932)
NET INCOME (LOSS) FOR THE YEAR		213,247	128,539	341,786	(872)	12,545	-	353,459
Income (loss) attributable to owners of the parent		181,935	127,876	309,811	(872)	12,545	-	321,484
Income (loss) attributable to non- controlling interest	14	31,312	663	31,975	-	-	-	31,975
Net income (loss) for the period		213,247	128,539	341,786	(872)	12,545	-	353,459

In the income statement, with the implementation of the IFRS16 standard, restated were made in the following lines:

- Cost of sale, distribution costs, administrative expenses: net effect of derecognized of rental cost and recognition of the depreciation of the right of use.

- Financial Costs: interest expense corresponding to the lease liability.

Impact recognized as a result of the adoption of IFRS 16 for the year ended December 31, 2018 are presented in the consolidated statement of cash flows:

	For the year ended December 31 2018	Adoption impact IFRS 16	For the year ended December 31, 2018
	ThUS$	ThUS$	ThUS$ Restated
Payments to suppliers for goods and services	(7,331,390)	556,387 (1)	(6,775,003)
Net cash flows from operating activities	(7,331,390)	556,387	(6,775,003)
Loans repayments	(1,045,662)	(692,687) (2)	(1,738,349)
Payments of finance lease liabilities	(692,687)	692,687 (2)	-
Payments of lease liabilities	-	(373,439) (1)	(373,439)
Interest paid	(357,355)	(182,948) (1)	(540,303)
Net cash flows (used in) financing activities	(2,095,704)	(556,387)	(2,652,091)

(1) Correspond to the reclassification of lease payments, principal to payment of lease liability and interest to interest paid.
(2) Correspond to the reclassification of leases payments previously classified as financial lease.

(b) Accounting pronouncements not yet in force for financial years beginning on January 1, 2019 and which has not been early adopted.

(i) Standards and amendments	Date of issue	Effective Date
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 IFRS 3: Business combination	October 2018	January 1, 2020
Amendment to IAS 1: Presentation of financial statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	October 2018	January 1, 2020
Amendment to IFRS 9: Financial instruments; IAS 39: Financial instruments: Recognition and measurement; Y IFRS 7: Financial instruments: Disclosures	September 2019	January 1, 2020

The management of the Company estimates 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 application of its first adoption. At the close consolidated financial statements, the Company is analyzing the possible effects of the amendment issued in September 2019 to IFRS 9, IAS 39 and IFRS 7 for the reform of interest rates of reference.

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.

Net losses or gains arising from the re-expression of non-monetary items and income and costs are recognized in the consolidated income statement under "Result of indexation units".

Net gains and losses on the re-expression of opening balances due to the initial application of IAS 29 are recognized in the consolidated retained earnings.

Re-expression due to hyperinflation will be recorded until the period in which the economy of the entity ceases to be considered as a hyperinflationary economy, at that time, the adjustments made by hyperinflation will be part of the cost of non-monetary assets and liabilities.

The comparative amounts in the Consolidated financial statements of the Company are presented in a stable currency and are not adjusted for subsequent changes in the price level or exchange rates.

(d) Group entities

The results and the financial situation of the Group's entities, whose functional currency is different from the presentation currency of the consolidated financial statements, of LATAM Airlines Group S.A., which does not correspond to the currency of a hyperinflationary economy, are converted into the currency of presentation as follows:

(i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;

(ii) The revenues and expenses of each income statement account are translated at the exchange rates prevailing on the transaction dates, and

(iii) All the resultant exchange differences by conversion are shown as a separate component in other comprehensive income.

For those subsidiaries of the group whose functional currency is different from the presentation currency and, moreover, corresponds to the currency of a hyperinflationary economy; its restated results, cash flow and financial situation are converted to the presentation currency at the closing exchange rate on the date of the consolidated financial statements.

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

Adjustments to the Goodwill and fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate or period informed, restated when the currency came from the functional entity of the foreign entity corresponds to that of a hyperinflationary economy, the adjustments for the restatement of goodwill are recognized in the consolidated equity.

2.4. Property, plant and equipment

The land of LATAM Airlines Group S.A. and Subsidiaries, are recognized at cost less any accumulated impairment loss. The rest of the Properties, plants and equipment are recorded, both in their initial recognition and in their subsequent measurement, at their historical cost, restated for inflation when appropriate, less the corresponding depreciation and any loss due to deterioration.

The amounts of advances paid to the aircraft manufacturers are activated by the Company under Construction in progress until they are received.

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

The depreciation of the properties, plants and equipment is calculated using the linear method over their estimated technical useful lives; except in the case of certain technical components which are depreciated on the basis of cycles and hours flown.

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

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

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

15

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 identified by the Company, in accordance with the premises that are applicable, included as follows:

Airport slots – Air transport CGU
Loyalty program – Air transport 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., program that is part of TAM Linhas Aereas S.A. (See Note 1).

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

(b) Computer software

Licenses for computer software acquired are capitalized on the basis of the costs incurred in acquiring them and preparing them for using the specific software. These costs are amortized over their estimated useful lives, for which the Company has been defined useful lives between 3 and 10 years.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. The personnel costs and others cost 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 changes 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.

16

2.7. Borrowing costs

Interest costs incurred for the construction of any qualified asset are capitalized over the time necessary for completing and preparing the asset for its intended use.

2.8. Losses for impairment of non-financial assets

Intangible assets that have an indefinite useful life and developing IT projects are not subject to amortization and are subject to annual tests for impairment losses or if there are indications of impairment. Management conducts an impairment assessment annually or more frequently if events or changes in circumstances indicate potential impairment. An impairment loss is recognized for the amount by which the carrying amount of the cash generating unit exceeds its recoverable amount. The recoverable amount of the cash generating unit is the higher of value in use and fair value less costs to sell. The value in use is determined by management using a discounted cash flow model. For the purpose of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Prior impairments of non-financial assets, other than goodwill, are reviewed for possible reversal 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 for hedge accounting and IFRS 9 for derivatives not qualify as hedge accounting, initially at fair value on the date on which the derivative contract was made and are subsequently valued at their fair value. The method to recognize the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as:

(a) Hedge of the fair value of recognized assets (fair value hedge);

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is shown in the statement of other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of income under other gains (losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.
In case of variable interest-rate hedges, the amounts recognized in the statement of other comprehensive income are reclassified to results within financial costs at the same time the associated debts accrue interest.

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

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

When hedging instrument mature, is sold or fails to meet the requirements to be accounted for as hedges, any gain or loss accumulated in the statement of Other comprehensive income until that moment, remains in the statement of other comprehensive income and is reclassified to the consolidated statement of income when the hedged transaction is finally recognized. When it is expected that the hedged transaction is no longer going to occur, the gain or loss accumulated in the statement of other comprehensive income is taken immediately to the consolidated statement of income as “Other gains (losses)”.

(c) Derivatives not booked as a hedge

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

2.11. Inventories

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

2.12. Trade and other accounts receivable

Commercial accounts receivable are initially recognized at their fair value and subsequently at their amortized cost in accordance with the effective rate method, less the provision for impairment according to the model of the expected credit losses. The Company applies the simplified approach permitted by IFRS 9, which requires that expected lifetime losses be recognized upon initial recognition of accounts receivable.

In the event that the Company transfers its rights to any financial asset (generally accounts receivable) to a third party in exchange for a cash payment, the Company evaluates whether all risks and rewards have been transferred, in which case the account receivable is derecognized.

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 tax expense for the period comprises income and deferred taxes.

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

Deferred taxes are recognized, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an assets or a liability in transaction other than a business combination that at the time of the transaction does not affect the accounting or the taxable profit or loss. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted at the date of the consolidated statements of financial position, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability discharged.

Deferred tax assets are recognized only to the extent it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

The tax (current and deferred) is recognized in statement of income by function, unless it relates to an item recognized in other comprehensive income, directly in equity. In this case the tax is also

recognized in other comprehensive income or, directly in the statement of income by function, 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 considering estimates of future permanence, mortality rates and future wage increases determined on the basis of actuarial calculations. The discount rates are determined by reference to market interest-rate curves. Actuarial gains or losses are shown in other comprehensive income.

(d) Incentives

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

2.19. Provisions

Provisions are recognized when:

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

(ii) It is probable that payment is going to be necessary to settle an obligation; and

(iii) The amount has been reliably estimated.

2.20. Revenue from contracts with customers

(a) Transportation of passengers and cargo

The Company recognizes the sale for the transportation service as a deferred income liability, which is recognized as income when the transportation service has been lent or expired. In the case of air transport services sold by the Company and that will be made by other airlines, the liability is reduced when they are remitted to said airlines. The Company periodically reviews whether it is necessary to make an adjustment to deferred income liabilities, mainly related to returns, changes, among others.

Compensations granted to clients for changes in the levels of services or billing of additional services such as additional baggage, change of seat, among others, are considered modifications of the initial contract, therefore, they are deferred until the corresponding service is provided.

(b) Expiration of air tickets

The Company estimates in a monthly basis the probability of expiration of air tickets, with refund clauses, based on the history of use of the same. Air tickets without refund clause are expired on the date of the flight in case the passenger does not show up.

(c) Costs associated with the contract

The costs related to the sale of air tickets are activated and deferred until the corresponding service is provided. These assets are included under Other non-financial assets in the Consolidated Classified Statement of Financial Position.

(d) Frequent passenger program

The Company maintains the following loyalty programs: LATAM Pass, LATAM Pass Brasil, whose objective is building customer 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 purchasing of products and services from network of non airlines partners.

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 miles are redeemed through air tickets of an airline of LATAM Airlines Group S.A. and subsidiaries, the income is deferred until the transportation service are rendered or expiration for non-use.

In addition, the Company has contracts with certain non-airline companies for the sale of miles or points. These contracts include some performance obligations in addition to the sale of the mile or point, such as marketing, advertising and other benefits. The income associated with these concepts is recognized in the income statement to the extent that the miles are accredited.

Deferred income of loyalty programs is determined based on the estimated stand-alone selling price of unused miles and points awarded to the members of the loyalty programs, reduced for breakage.

The miles and points that the Company estimates will not be exchanged are recognized at the moment of the earn. Management uses statistical models to estimate the breakage based on the latest available information regarding redemption and expiration patterns.

(e) Dividend income

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

2.21. Leases

The Company recognizes contracts that meet the definition of a lease, as a right of use asset and a lease liability on the date when the underlying asset is available for use.

Assets for right of use are measured at cost including the following:

- The amount of the initial measurement of the lease liability;
- Lease payment made at or before commencement date;
- Initial direct costs, and
- Restoration costs.

The assets by right of use are recognized in the statement of financial position in Properties, plants and equipment (See Note 17).

Lease liabilities include the net present value of the following payments:

- Fixed payments including in substance fixed payment.
- Variable lease payments that depend on an index or a rate;
- The exercise price of a purchase options, if is reasonably certain to exercise that option.

The Company determines the present value of the lease payments using the implicit rates for the aircraft leasing contracts and for the rest of the underlying assets, uses the incremental borrowing rate.

Lease liabilities are recognized in the statement of financial position under Other financial liabilities, current or non-current (See Note 19).

Interest accrued on financial liabilities is recognized in the consolidated statement of income in "Financial costs".

Principal and interest are presented in the consolidated cash flow as “Payments of lease liability” and “Interest paid”, respectively, in cash flows use in financing activities.

Payments associated with short-term leases without purchase options and leases of low-value assets are recognized on a straight-line basis in profit or loss at the time of accrual. Those payments are presented in cash flows use in operation activities.

The Company analyzes the financing agreements of aircrafts, mainly considering characteristics such as:

(a) that the Company initially acquired the aircraft or took an important part in the process of direct acquisition with the manufacturers.

(b) Due to the contractual conditions, it is virtually certain that the Company will execute the purchase option of the aircraft at the end of the lease term.

Since these financing agreements are "substantially purchases" and not leases, the related liability is considered as a financial debt classified under IFRS 9 and continue to be presented within the "other financial liabilities" described in Note 19. On the other hand, aircraft are presented in Property, plants and equipment as described in Note 17, as "own aircrafts".

The Group qualifies as sale and leaseback transactions, operations which lead to a sale according to IFRS 15. More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term.

If the sale of the seller-lessee is classified as a sale in accordance with IFRS 15, the underlying asset is derecognized and an asset is recognized for the right to use equal to the retained part of the net carrying amount of the asset.

If the sale by the seller-lessee is not qualified as a sale in accordance with IFRS 15, the assets transferred are maintained in the financial statements and a financial liability is recognized equal to the sale price (received from the buyer-lessor).

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 aircraft include in property, plant and equipment, these maintenance cost are capitalized as Property, plant and equipment, while in the case of aircraft on right of use, 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 contracts that comply with the definition of lease establish the obligation of the lessee to make deposits to the lessor as a guarantee of compliance with 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 (FX), 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:

<u>Exposition:</u>

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.

<u>Mitigation:</u>

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.

<u>Fuel Hedging Results:</u>

During the period ended december 31, 2019, the Company recognized losses of US$ 23.1 million for fuel coverage net of premium. During the same period of 2018, the Company recognized gains of US$ 29.7 million for the same concept.
As of december 31, 2019, the market value of fuel positions amounted to US$ 48.5 million (positive). At the end of december 2018, this market value was US$ 15.8 million (negative).

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

Positions as of December 31, 2019 (*)	Maturities				
	Q120	Q220	Q320	Q420	Total
Percentage of coverage over the expected volume of consumption	65%	61%	20%	19%	41%

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

Positions as of December 31, 2018 (*)	Maturities				
	Q119	Q219	Q319	Q419	Total
Percentage of coverage over the expected volume of consumption	66%	58%	40%	15%	45%

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

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 third quarter of 2020.

The calculations were made considering a parallel movement of US$ 5 per barrel in the curve of the JET crude futures benchmark price at the end of December 2019 and the end of December 2018.

Benchmark price (US$ per barrel)	Positions as of december 31, 2019 effect on equity (millions of US$)	Positions as of december 31, 2018 effect on equity (millions of US$)
+5	+ 15.4	+7.4
-5	- 34.5	- 5.5

Given the structure of fuel coverage during 2019, 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 $ 121.8 million of lower fuel costs. For the same period, a vertical rise of US$ 5 in the JET reference price (considered as the monthly average) would have meant an impact of approximately US $ 114.2 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 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.

Exchange Rate Hedging Results (FX):

With the objective of reducing exposure to the exchange rate risk in the operational cash flows of 2019, and securing the operating margin, LATAM makes hedges using FX derivatives.

As of december 31, 2019, the market value of FX derivative positions amounted to US $ 0.04 million (negative). At the end of December 2018, the Company did not maintain derivatives of current FX hedges.

During the period ended december 31, 2019, the Company recognized gains of US $ 1.9 million for FX coverage net of premiums. During the same period of 2018, the Company recognized gains of US$ 18.3 million.

As of december 31, 2019, the Company has contracted FX derivatives for US $ 15 million for BRL. At the end of december 2018, the Company did not maintain current FX derivatives.

During 2018 the company contracted FX derivatives which were not registered under hedge accounting. As of december 31, 2019, the amount recognized in results amounts to US $ 6.2 million (negative) 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.

27

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 sensitization of FX derivative instruments according to reasonable changes in the exchange rate and its effect on equity. The projection period was defined until the end of the last coverage contract in force, with the last business day of the first quarter of the year 2020:

Appreciation (depreciation)(*) of R$	Effect at december 31, 2019 Millions of US$	Effect at december 31, 2018 Millions of US$
-10%	-0.6	-
+10%	+1.1	-

(*) Appreciation (depreciation) of US$ regard to the covered currencies.

During 2018 and 2019, the Company contracted swap currency derivatives for debt coverage issued the same year for a notional UF 8.7 million and UF 5.0 million, respectively. As of December 31, 2019, the market value of the currency swaps derivative positions amounted to US $ 22.7 million (negative). At the end of December 2018, this market value was US $ 15.1 million (positive).

In the case of TAM S.A, whose functional currency is the Brazilian real, a large part of its liabilities is expressed in US dollars. Therefore, when converting financial assets and liabilities, from dollar to real, they have an impact on the result of TAM S.A., which is consolidated in the Company's Income Statement.

In order to reduce the impact on the Company's result caused by appreciations or depreciations of R $ / US $, the Company has executed internal operations to reduce the net exposure in US $ for TAM S.A.

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

Appreciation (depreciation)(*) of R$/US$(*)	Effect at december 31, 2019 Millions of US$	Effect at december 31, 2018 Millions of US$
-10%	+9.5	+39.8
+10%	- 9.5	-39.8

(*) 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).

28

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

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

Appreciation (depreciation) of R$/US$	Effect at december 31, 2019 Millions of US$	Effect at december 31, 2018 Millions of US$
-10%	+402.48	+384.73
+10%	-329.29	-314.78

(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 ("IDC").

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 62% (60% at December 31, 2018) of the debt is fixed to fluctuations in interest rate.

Rate Hedging Results:

As of december 31, 2019, the market value of the derivative positions of interest rates amounted to US $ 2.6 million (positive). At the end of December 2018, this market value was US $ 2.2 million (negative).

Sensitivity analysis:

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

Increase (decrease) futures curve in libor 3 months	Positions as of december 31, 2019 effect on profit or loss before tax (millions of US$)	Positions as of december 31, 2018 effect on profit or loss before tax (millions of US$)
+100 basis points	-27.60	-29.62
-100 basis points	+27.60	+29.62

Much of the current rate derivatives are registered for as hedges of cash flow, therefore, a variation in the exchange rate has an impact on the market value of derivatives, whose changes impact on the Company's net equity.

The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve, being both reasonably possible scenarios according to historical market conditions.

Increase (decrease) futures curve in libor 3 months	Positions as of december 31, 2019 effect on equity (millions of US$)	Positions as of december 31, 2018 effect on equity (millions of US$)
+100 basis points	+13.62	+0.70
-100 basis points	-14.71	-0.71

The assumptions of sensitivity calculation must assume that forward curves of interest rates do not necessarily reflect the real value of the compensation flows. Moreover, the structure of interest rates is dynamic over time.

During the periods presented, the Company has no registered amounts by ineffectiveness in consolidated statement of income for this kind of hedging.

(b) Credit risk

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

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

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

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

(i) Financial activities

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

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

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

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

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

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

Credit quality of financial assets

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

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

(c) Liquidity risk

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

Because of the cyclical nature of the business, the operation, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, plus the financing needs, the Company requires liquid funds, defined as cash and cash equivalents plus other short term financial assets, to meet its payment obligations. The liquid funds, the future cash generation and the capacity to obtain additional funding, through bond issuance and banking loans, will allow the Company to obtain sufficient alternatives to face its investment and financing future commitments.

At december 31, 2019 is US$ 1,459 million (US$ 1,404 million at december 31, 2018), invested in short term instruments through financial high credit rating levels entities.

In addition to the balance of liquid funds, the Company has access to short-term credit lines. As of december 31, 2019, 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$ 600 million as of December 31, 2018) subject to availability of collateral.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2019

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Loans to exporters													
97.032.000-8	BBVA	Chile	US$	24,387	76,256	-	-	-	100,643	99,000	At Expiration	3.29	3.29
97.003.000-K	BANCO DO BRASIL	Chile	US$	151,489	50,758	-	-	-	202,247	200,000	At Expiration	2.93	2.93
76.100.458-1	HSBC	Chile	US$	12,098	-	-	-	-	12,098	12,000	At Expiration	3.25	3.25
76.100.458-1	BLADEX	Chile	US$	-	29,277	-	-	-	29,277	29,000	At Expiration	2.82	2.82
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	5,336	10,544	-	-	-	15,880	15,615	Quarterly	3.35	3.35
76.362.099-9	BTG PACTUAL CHILE	Chile	UF	484	1,451	63,872	-	-	65,807	62,769	At Expiration	3.10	3.10
0-E	SANTANDER	Spain	US$	1,514	4,809	141,719	-	-	148,042	137,860	Quarterly	3.62	4.61
Obligations with the public													
97.030.000-7	BANCO ESTADO	Chile	UF	-	24,702	208,681	32,228	410,774	676,385	518,032	At Expiration	4.81	4.81
0-E	BANK OF NEW YORK	U.S.A.	US$	28,000	76,125	208,250	884,188	884,000	2,080,563	1,500,000	At Expiration	7.16	6.94
Guaranteed obligations													
0-E	BNP PARIBAS	U.S.A.	US$	11,657	50,428	124,106	124,167	302,092	612,450	513,941	Quarterly / Semiannual	3.81	3.81
0-E	WILMINGTON TRUST COMPANY	U.S.A.	US$	31,733	94,096	244,836	237,815	438,659	1,047,139	866,223	Quarterly	4.45	4.45
0-E	CITIBANK	U.S.A.	US$	5,765	17,296	46,120	46,117	42,175	157,473	143,475	Quarterly	3.76	2.68
0-E	NATIXIS	France	US$	13,365	40,159	99,556	86,984	79,724	319,788	282,906	Quarterly	3.82	3.82
0-E	MUFG	U.S.A.	US$	5,552	27,068	73,726	73,914	209,621	389,881	322,660	Quarterly	3.43	3.43
0-E	INVESTEC	England	US$	1,980	11,164	26,153	11,071	-	50,368	44,087	Semiannual	6.35	6.35
Other guaranteed obligation													
0-E	CREDIT AGRICOLE	France	US$	2,326	6,740	260,259	-	-	269,325	253,692	At Expiration	3.74	3.74
0-E	MUFG	U.S.A.	US$	26,607	78,955	198,783	46,131	-	350,476	328,023	Quarterly	3.54	3.54
Financial lease													
0-E	ING	U.S.A.	US$	4,025	8,108	-	-	-	12,133	11,806	Quarterly	5.71	5.01
0-E	CREDIT AGRICOLE	France	US$	4,994	15,026	6,671	-	-	26,691	26,091	Quarterly	3.15	2.52
0-E	CITIBANK	U.S.A.	US$	19,412	56,148	117,881	16,653	-	210,094	200,907	Quarterly	3.39	2.80
0-E	PEFCO	U.S.A.	US$	1,950	1,950	-	-	-	3,900	3,827	Quarterly	5.65	5.03
0-E	BNP PARIBAS	U.S.A.	US$	9,353	25,211	28,663	22,502	10,354	96,083	87,729	Quarterly	3.85	3.72
0-E	WELLS FARGO	U.S.A.	US$	35,251	105,691	261,181	203,232	14,382	619,737	591,684	Quarterly	2.67	1.98
97.036.000-K	SANTANDER	Chile	US$	6,145	18,394	47,911	3,158	-	75,608	72,551	Quarterly	3.00	2.46
0-E	RRPF ENGINE	England	US$	1,152	3,432	8,967	8,679	568	22,798	19,643	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A.	US$	1,661	4,977	13,259	7,380	-	27,277	25,708	Quarterly	3.33	2.73
0-E	BTMU	U.S.A.	US$	3,367	10,081	26,827	14,153	-	54,428	51,340	Quarterly	3.33	2.73
0-E	NATIXIS	France	US$	759	2,299	2,330	-	-	5,388	5,154	Quarterly	4.41	4.41
0-E	KFW IPEX-BANK	Germany	US$	1,804	3,607	-	-	-	5,411	5,328	Quarterly	3.55	3.55
0-E	AIRBUS FINANCIAL	U.S.A.	US$	2,038	5,746	-	-	-	7,784	7,664	Monthly	3.31	3.31
0-E	US BANK	U.S.A.	US$	18,328	54,864	145,364	140,555	17,681	376,792	349,127	Quarterly	4.01	2.82
0-E	PK AIRFINANCE	U.S.A.	US$	2,652	8,136	18,194	-	-	28,982	28,087	Monthly	3.45	3.45
Other loans													
0-E	CITIBANK (*)	U.S.A.	US$	26,111	78,742	-	-	-	104,853	101,026	Quarterly	6.00	6.00
Hedge derivative													
-	OTHERS	-	US$	-	11,582	18,641	13,530	-	43,753	16,972	-	-	-
	Total			461,295	1,013,822	2,391,950	1,972,457	2,410,030	8,249,554	6,933,927			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

33

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2019

Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans													
0-E	NCM	Holland	US$	173	499	722	-	-	1,394	1,289	Monthly	6.01	6.01
Financial leases													
0-E	NATIXIS	France	US$	4,140	7,965	77,028	-	-	89,133	86,256	Quarterly / Semiannual	6.29	6.29
0-E	WACAPOU LEASING S.A.	Luxembourg	US$	835	2,450	3,277	-	-	6,562	6,280	Quarterly	4.32	4.32
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	11,286	151,047	-	-	-	162,333	169,931	Quarterly	5.39	5.39
0-E	GA Telesis LLC	U.S.A.	US$	677	1,753	4,675	4,675	10,480	22,260	13,495	Monthly	14.72	14.72
	Total			17,111	163,714	85,702	4,675	10,480	281,682	277,251			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2019
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Lease Liability										
-	AIRCRAFT	OTHERS	US$	146,036	417,929	1,002,564	877,353	1,357,910	3,801,792	3,042,231
-	OTHER ASSETS	OTHERS	US$	3,017	8,649	21,381	19,815	16,314	69,176	53,931
			CLP	160	478	531	-	-	1,169	1,195
			UF	2,713	4,736	5,789	1,373	2,956	17,567	17,145
			COP	71	161	37	2	-	271	259
			EUR	163	387	592	122	-	1,264	1,175
			GBP	16	10	-	-	-	26	24
			MXN	37	93	245	10	-	385	359
			PEN	95	129	83	16	-	323	306
			Other currencies	2,770	8,370	8,508	43,104	-	62,752	55,532
Trade and other accounts payables										
-	OTHERS	OTHERS	US$	371,527	13,993	-	-	-	385,520	385,520
			CLP	220,383	905	-	-	-	221,288	221,288
			BRL	486,082	320	-	-	-	486,402	486,402
			Other currencies	576,378	1,716	-	-	-	578,094	578,094
Accounts payable to related parties currents										
78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	53	-	-	-	-	53	53
Foreing	Patagonia Seafarms INC	U.S.A.	CLP	3	-	-	-	-	3	3
	Total			1,809,504	457,876	1,039,730	941,795	1,377,180	5,626,085	4,843,517
	Total consolidated			2,287,910	1,635,412	3,517,382	2,918,927	3,797,690	14,157,321	12,054,695

35

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2018 Restated

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$	38,625	76,275	-	-	-	114,900	113,000	At Expiration	3.36	3.36
97.032.000-8	BBVA	Chile	UF	-	52,490	-	-	-	52,490	50,785	At Expiration	3.31	3.31
97.036.000-K	SANTANDER	Chile	US$	23,070	-	-	-	-	23,070	23,000	At Expiration	3.90	3.90
97.003.000-K	BANCO DO BRASIL	Chile	US$	201,884	-	-	-	-	201,884	200,000	At Expiration	3.64	3.64
97.951.000-4	HSBC	Chile	US$	12,094	-	-	-	-	12,094	12,000	At Expiration	3.14	3.14
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	5,778	17,086	16,662	-	-	39,526	38,231	Quarterly	3.35	3.35
0-E	BLADEX	U.S.A.	US$	-	15,766	-	-	-	15,766	15,000	Semiannual	6.74	6.74
97.036.000-K	SANTANDER	Chile	US$	1,347	587	102,521	-	-	104,455	102,521	Quarterly	5.60	5.60
76.362.099-9	BTG	Chile	UF	510	1,531	69,435	-	-	71,476	65,862	At Expiration	3.10	3.10
Obligations with the public													
0-E	BANK OF NEW YORK	U.S.A.	US$	-	84,375	614,375	96,250	724,063	1,519,063	1,200,000	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	18,985	37,970	196,970	213,114	467,039	345,182	At Expiration	5.50	5.50
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	743	2,201	5,718	2,086	-	10,748	10,080	Quarterly	3.23	3.23
0-E	BNP PARIBAS	U.S.A.	US$	14,741	61,973	152,826	145,252	250,387	625,179	511,698	Quarterly	4.55	4.55
0-E	WILMINGTON TRUST COMPANY	U.S.A.	US$	31,336	96,304	248,720	289,251	509,168	1,174,779	952,758	Quarterly	4.47	4.47
0-E	CITIBANK	U.S.A.	US$	12,757	38,398	102,062	77,710	65,232	296,159	269,365	Quarterly	3.82	2.93
0-E	US BANK	U.S.A.	US$	18,406	55,112	146,045	144,670	86,076	450,309	411,684	Quarterly	4.00	2.82
0-E	NATIXIS	France	US$	14,027	42,132	111,528	92,228	124,910	384,825	324,524	Quarterly	4.69	4.69
0-E	PK AirFinance	U.S.A.	US$	2,490	7,663	25,610	3,153	-	38,916	37,615	Monthly	4.15	4.14
0-E	INVESTEC	England	US$	2,004	11,579	26,874	24,367	-	64,824	54,014	Semiannual	7.17	7.17
Other guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	2,576	8,380	273,122	-	-	284,078	253,692	At Expiration	4.11	4.11
0-E	DVB BANK SE	Germany	US$	28,087	83,260	213,177	122,674	20,274	467,472	422,065	Quarterly	4.42	4.42
Financial lease													
0-E	ING	U.S.A.	US$	4,025	12,075	12,134	-	-	28,234	26,831	Quarterly	5.70	5.01
0-E	CREDIT AGRICOLE	France	US$	7,618	21,994	27,811	1,684	-	59,107	56,403	Quarterly	3.66	3.31
0-E	CITIBANK	U.S.A.	US$	14,870	44,570	83,389	42,178	-	185,007	172,158	Quarterly	4.40	3.80
0-E	PEFCO	U.S.A.	US$	5,771	13,541	3,899	-	-	23,211	22,407	Quarterly	5.64	5.02
0-E	BNP PARIBAS	U.S.A.	US$	8,467	25,214	26,933	1,641	-	62,255	59,567	Quarterly	3.90	3.58
0-E	WELLS FARGO	U.S.A.	US$	35,458	106,397	282,923	239,168	99,232	763,178	719,338	Quarterly	2.77	2.09
97.036.000-K	SANTANDER	Chile	US$	6,340	19,025	49,945	26,779	-	102,089	95,022	Quarterly	3.68	3.14
0-E	RRPF ENGINE	England	US$	1,167	3,480	9,103	8,826	4,870	27,446	23,012	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A.	US$	1,711	5,175	13,640	13,394	760	34,680	31,544	Quarterly	3.93	3.33
0-E	BTMU	U.S.A.	US$	3,489	10,485	27,605	27,062	775	69,416	63,189	Quarterly	4.06	3.46
0-E	NATIXIS	France	US$	4,242	9,870	9,815	563	-	24,490	23,161	Quarterly	4.28	4.12
0-E	KFW IPEX-BANK	Germany	US$	1,764	5,328	5,378	-	-	12,470	12,215	Quarterly	4.20	4.19
0-E	AIRBUS FINANCIAL	U.S.A.	US$	2,074	6,197	7,840	-	-	16,111	15,417	Monthly	4.19	4.19
Other loans													
0-E	CITIBANK (*)	U.S.A.	US$	25,705	77,703	103,341	-	-	206,749	196,211	Quarterly	6.00	6.00
0-E	Boeing	U.S.A.	US$	559	1,425	55,728	-	-	57,712	55,727	At Expiration	4.01	4.01
Hedge derivative													
-	OTHERS	-	US$	1,224	2,484	681	-	-	4,389	4,021	-	-	-
	Total			534,959	1,039,060	2,866,810	1,555,906	2,098,861	8,095,596	6,989,299			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

36

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2018 Restated
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Bank loans													
0-E	NEDERLANDSCHE NCM	Holland	US$	175	499	1,332	55	-	2,061	1,851	Monthly	6.01	6.01
Financial leases													
0-E	NATIXIS	France	US$	4,195	7,935	46,780	41,872	-	100,782	95,789	Quarterly / Semiannual	6.87	6.87
0-E	WACAPOU LEASING S.A.	Luxembourg	US$	839	2,433	6,542	-	-	9,814	9,226	Quarterly	4.81	4.81
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	11,536	32,312	161,778	-	-	205,626	208,224	Quarterly	5.88	5.82
0-E	GA Telesis LLC	U.S.A.	US$	680	1,753	4,675	4,675	11,318	23,101	13,202	Monthly	15.62	15.62
	Total			17,425	44,932	221,107	46,602	11,318	341,384	328,292			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2018 Restated
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Leases Liability										
-	AIRCRAFT	OTHERS	US$	140,780	420,561	1,015,495	785,417	1,298,585	3,660,838	2,721,352
-	OTHER ASSETS	OTHERS	US$	4,968	14,536	25,689	20,029	21,138	86,360	86,360
			CLP	57	170	1	-	-	228	228
			UF	1,683	2,565	667	34	-	4,949	4,949
			COP	304	731	366	21	-	1,422	1,422
			EUR	311	431	215	-	-	957	957
			GBP	45	128	36	-	-	209	209
			MXN	33	92	235	115	-	475	475
			PEN	183	409	114	-	-	706	706
Trade and other accounts payables										
-	OTHERS	OTHERS	US$	720,718	9,979	-	-	-	730,697	730,697
			CLP	74,566	16,493	-	-	-	91,059	91,059
			BRL	309,552	66	-	-	-	309,618	309,618
			Other currencies	252,116	3,406	-	-	-	255,522	255,522
Accounts payable to related parties currents										
Foreign	Inversora Aeronáutica Argentina S.A.	Argentina	ARS	15	-	-	-	-	15	15
78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	365	-	-	-	-	365	365
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Brazil	BRL	2	-	-	-	-	2	2
	Total			1,505,698	469,567	1,042,818	805,616	1,319,723	5,143,422	4,203,936
	Total consolidated			2,058,082	1,553,559	4,130,735	2,408,124	3,429,902	13,580,402	11,521,527

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 2018, the Company had delivered US$ 5.0 million in guarantees for derivative margins, corresponding to cash and standby letters of credit. As of December 31, 2019, US$ 23.7 million were delivered in guarantees corresponding to cash and standby letters of credit. The increase was due to: i) the expiration of hedge contracts, ii) acquisition of new hedge contracts, and iii) changes in fuel prices, changes in exchange rates and interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to comply with the restrictions of minimum equity and (ii) to maintain an optimal capital structure.

The Company monitors its contractual obligations and the regulatory limitations in the different countries where the entities of the group are domiciled to assure they meet the limit of minimum net equity, where the most restrictive limitation is to maintain a positive net equity.

Additionally, the Company periodically monitors the short and long term cash flow projections to assure the Company has adequate sources of funding to generate the cash requirement to face its investment and funding future commitments.

The Company international credit rating is the consequence of the Company capacity to face its long terms financing commitments. As of December 31, 2019 the Company has an international long term credit rating of BB- with stable outlook by Standard & Poor's, a BB- rating with stable outlook by Fitch Ratings and a Ba3 rating with stable outlook by Moody's.

3.3. Estimates of fair value.

At december 31, 2019, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

1. Hedge Instruments:

This category includes the following instruments:

- Interest rate derivative contracts,
- Fuel derivative contracts,
- Currency derivative contracts.

2. Financial Investments:

This category includes the following instruments:

- Investments in short-term Mutual Funds (cash equivalent)
- Private investment funds.

The Company has classified the fair value measurement using a hierarchy that reflects the level of information used in the assessment. This hierarchy consists of 3 levels (I) fair value based on

quoted prices in active markets for identical assets or liabilities, (II) fair value calculated through valuation methods based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and (III) fair value based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets, such as investments acquired for trading, is based on quoted market prices at the close of the period using the current price of the buyer. The fair value of financial assets not traded in active markets (derivative contracts) is determined using valuation techniques that maximize use of available market information.

Valuation techniques generally used by the Company are quoted market prices of similar instruments and / or estimating the present value of future cash flows using forward price curves of the market at period end.

The following table shows the classification of financial instruments at fair value, depending on the level of information used in the assessment:

	As of December 31, 2019				As of December 31, 2018			
		Fair value measurements using values considered as				Fair value measurements using values considered as		
	Fair value ThUS$	Level I ThUS$	Level II ThUS$	Level III ThUS$	Fair value ThUS$	Level I ThUS$	Level II ThUS$	Level III ThUS$
Assets								
Cash and cash equivalents	222,094	222,094	-	-	43,653	43,653	-	-
Short-term mutual funds	222,094	222,094	-	-	43,653	43,653	-	-
Other financial assets, current	471,797	386,688	85,109	-	366,573	343,218	23,355	-
Fair value interest rate derivatives	27,044	-	27,044	-	19,460	-	19,460	-
Fair value of fuel derivatives	48,542	-	48,542	-	-	-	-	-
Fair value of foreign currency derivative	586	-	586	-	3,895	-	3,895	-
Accrued interest since the last payment date Swap of currencies	3	-	3	-	-	-	-	-
Derivative not recognized as a hedge	-	-	-	-	19,396	19,396	-	-
Private investment funds	386,669	386,669	-	-	322,428	322,428	-	-
Certificate of Deposit (CBD)	8,934	-	8,934	-	-	-	-	-
Domestic and foreign bonds	19	19	-	-	1,394	1,394	-	-
Liabilities								
Other financial liabilities, current	50,372	-	50,372	-	33,633	7,712	25,921	-
Fair value of interest rate derivatives	302	-	302	-	335	-	335	-
Fair value of fuel derivatives	-	-	-	-	15,678	-	15,678	-
Fair value of foreign currency derivatives	48,347	-	48,347	-	7,587	-	7,587	-
Interest accrued since the last payment date of Currency Swap	1,723	-	1,723	-	2,321	-	2,321	-
Other financial liabilities, non current	-	-	-	-	7,712	7,712	-	-
Fair value of interest rate derivatives	-	-	-	-	340	-	340	-
Interest accrued since the last date of Swap interest rates	-	-	-	-	340	-	340	-

Additionally, at December 31, 2019, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

	As of December 31, 2019		As of December 31, 2018	
	Book value	Fair value	Book value	Fair value
	ThUS$	ThUS$	ThUS$ Restated	ThUS$ Restated
Cash and cash equivalents	850,486	850,486	1,037,989	1,037,989
Cash on hand	4,982	4,982	8,974	8,974
Bank balance	329,633	329,633	331,218	331,218
Overnight	350,080	350,080	282,164	282,164
Time deposits	165,791	165,791	415,633	415,633
Other financial assets, current	-	-	17,411	17,411
Other financial assets	-	-	17,411	17,411
Trade debtors, other accounts receivable and Current accounts receivable	1,244,348	1,244,348	1,162,582	1,162,582
Accounts receivable from entities related, current	19,645	19,645	2,931	2,931
Other financial assets, not current	46,907	46,907	58,700	58,700
Accounts receivable, non-current	4,725	4,725	5,381	5,381
Other current financial liabilities	1,835,288	2,019,068	1,397,156	1,942,332
Accounts payable for trade and other accounts payable, current	2,220,500	2,220,500	1,674,303	1,674,303
Accounts payable to entities related, current	56	56	382	382
Other financial liabilities, not current	8,530,418	8,846,418	5,864,570	8,387,939
Accounts payable, not current	619,110	619,110	483,656	483,656

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. The book value of Other financial liabilities, current or non-current, do not include lease liabilities.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and record some of the assets, liabilities, income, expenses and commitments. Basically, these estimates refer to:

(a) Evaluation of possible losses due to impairment of goodwill and intangible assets with indefinite useful life

As of december 31, 2019, goodwill amount to ThUS$ 2,209,576 (ThUS$ 2,294,072 as of december 31, 2018), while the intangible assets comprise the Airport Slots for ThUS$ 845,959 (ThUS$ 828,969 as of december 31, 2018) and Loyalty Program for ThUS$ 263,806 (ThUS$ 274,420 as of december 31, 2018).

Management conducts an impairment test annually or more frequently if events or changes in circumstances indicate potential impairment. An impairment loss is recognized for the amount by which the carrying amount of the cash generating unit (CGU) exceeds its recoverable amount. For this evaluation, the Company had identified two CGUs, “Air transport” and “Multiplus coalition and loyalty program”, until December 31, 2018. After the merger of Multiplus (see Note 1), administrator of the Multiplus coalition and loyalty program, the Company has determined air transport as a single CGU. The classification of intangible assets of indefinite useful life in the CGUs, before and after the merger of Multiplus S.A. are as follow:

	Air Transport CGU		Coalition and loyalty Program Multiplus CGU	
	As of December 31 2019	As of December 31, 2018	As of December 31 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$
Goodwill	2,209,576	1,845,136	-	448,936
Airport Slots	845,959	828,969	-	-
Loyalty program	263,806	-	-	274,420

Management’s value-in-use calculations included significant judgments and assumptions relating to revenue growth rates, exchange rates, discount rate, inflation rates, fuel price. 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 main 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

Management records deferred taxes on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the consolidated financial statements. Deferred tax assets are recognized only to the extent it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

Management applied significant judgment in assessing the recoverability of deferred tax assets. In determining the amount of deferred tax assets to be recognized, management considered historical profitability, projected future taxable profit (including assumptions related the revenue growth rates, exchange rates, discount rate and fuel price which are in line with those used in the impairment analysis of the group's cash generating unit) and the expected timing of the reversals of existing temporary differences.

As of December 31, 2019, the Company has recognized deferred tax assets of ThUS$ 235,583 (ThUS$ 273,529 as of December 31, 2018) and has ceased to recognize deferred tax assets on tax losses of ThUS$ 110,933 (ThUS$ 137,761 December 31, 2018) (Note 18).

(d) Air tickets sold that will not be finally used.

The Company records the anticipated sale of air tickets as deferred income. Ordinary income from the sale of tickets is recognized in the income statement when the passenger transport service is provided or expired for non-use. The Company evaluates monthly the probability of expiration of air tickets, with return clauses, based on the history of use of air tickets. A change in this probability could generate an impact on revenue in the year in which the change occurs and in future years. As of December 31, 2019 the deferred income associated with the air tickets sold amounts to ThUS $ 1,511,991. - (ThUS $ 1,299,304 as of December 31, 2018). A hypothetical change of one percentage point in passenger behavior with respect to use would result in an impact of up to ThUS $ 6,000 per month.

(e) Valuation of miles and points awarded to holders of loyalty programs, pending use.

As of December 31, 2019, the deferred income associated with the LATAM Pass loyalty program amounts to ThUS$ 1,332,173 (ThUS$ 1,324,635 as of December 31, 2018). A hypothetical change of one percentage point in the probability of exchange of miles would result in an impact of ThUS$ 31,565 in the results of 2019 (ThUS$ 27,726 in 2018). Deferred income associated with the LATAM Pass Brasil loyalty program (See Note 22) amounts to ThUS$ 354,847 as of December 31, 2019 (ThUS$ 293,831 as of December 31, 2018). A hypothetical change of two percentage points in the probability of exchange of points would result in an impact of ThUS$ 12,501 in the results of 2019 (ThUS$ 13,140 in 2018).

Management used statistical models to estimate the miles and point awarded that will not be redeemed, by the programs members (breakage) which involved significant judgments and assumptions relating the historical redemption and expiration activity and forecasted redemption and expiration patterns.

For LATAM Pass Brazil, the expiration occurs after a fixed period from the time of the accumulation. Model is built by the management considering historical expiration rates, to costumers exchange behaviors and relevant segmentations.

For LATAM Pass there are rules that allow members to renew their miles, so the management in conjunction with an external specialist develop a predictive model of non-use miles, which allows to generate non-use rates on the basis of historical information, based on behavior of the accumulation, use and expiration of the miles.

(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) Leases

(i) Discount rate

The discount rate used to calculate the lease debt corresponds, for each aircraft, to the implicit interest rate induced by the contractual elements and residual market values. The implied rate of the contract is the discount rate that gives the aggregated present value of the minimum lease payments and the unguaranteed residual value. This present value should be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

For those leases other than aircraft, we use our estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. We consider to our recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating our incremental borrowing rates.

A 100 basis point decrease in our estimate of the rate at January 1, 2019 (the date the adoption of the standard) would increase our lease liability by approximately US$ 105 million.

(ii) Lease term

In determining the lease term, there are considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(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 ensuring 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

As of December 31, 2019, the Company considers that it has a single operating segment, that of Air Transport. This segment corresponds to the route network for air transport and is based on the way in which the business is managed, according to the centralized nature of its operations, the ability to open and close routes, as well as reassignment (airplanes, crew, personnel, etc.) within the network, which implies a functional interrelation between all of them, making them inseparable. This segment definition is one of the most common worldwide in the airline industry.

Until June 2019, the Company presented two operating segments, the one corresponding to Air transport and the Multiplus coalition and loyalty program segment, discussed in Note 1, the Company Multiplus S.A. Administrator of the Coalition and Loyalty Program Multiplus merged into TAM Linhas Aereas S.A., ceasing to be an entity with independent administration. The Multiplus coalition and Loyalty program, which was defined as an operating segment, due to this independent administration, became part of the Air Transport segment together with the LATAM Pass and LATAM fidelidades programs.

The company has restated the information corresponding to December 31, 2018 for the presentation of a single segment of information.

For the year ended	Air Transportation At December 31,	
	2019	2018
	ThUS$	ThUS$ Restated
Income from ordinary activities from external customers (*)	10,070,063	9,895,456
Passenger	9,005,629	8,708,988
Freight	1,064,434	1,186,468
Income from ordinary activities from transactions with other operating segments	-	-
Other operating income	360,864	472,758
Interest income	26,283	53,253
Interest expense	(589,934)	(539,137)
Total net interest expense	(563,651)	(485,884)
Depreciation and amortization	(1,469,976)	(1,372,628)
Material non-cash items other than depreciation and amortization	(130,011)	(104,123)
Disposal of fixed assets and inventory losses	(60,893)	(46,351)
Doubtful accounts	(21,558)	(18,837)
Exchange differences	(32,571)	(38,070)
Result of indexation units	(14,989)	(865)
Income (loss) attributable to owners of the parents	190,430	309,811
Expenses for income tax	53,697	(73,879)
Segment profit / (loss)	195,613	341,786
Assets of segment	21,087,806	20,078,722
Segment liabilities	17,958,629	16,638,121
Amount of non-current asset additions	2,658,541	1,090,177
Property, plant and equipment	2,519,305	995,085
Intangibles other than goodwill	139,236	95,092
Purchase of non-monetary assets of segment	1,416,794	756,913

(*) The Company does not have any interest income that should be recognized as income from ordinary activities by interest.

For the year ended	Air Transportation At December 31,	
	2019	2018
	ThUS$	ThUS$ Restated (2)
Net cash flows from		
Purchases of property, plant and equipment	1,276,621	660,707
Additions associated with maintenance	453,827	375,634
Other additions	822,794	285,073
Purchases of intangible assets	140,173	96,206
Net cash flows from (used in) operating activities	2,826,667	2,073,316
Net cash flow from (used in) investing activities	(1,419,207)	(358,368)
Net cash flows from (used in) financing activities	(1,343,521)	(1,608,597)

The information by segments as of December 31, 2018, which included the Multiplus Coalition and Loyalty Program segment has been restated to present its incorporation into the Air Transport segment. This restatement is presented in the following table:

For the year ended	Air Transportation At December 31, 2018 ThUS$ Previously reported	Segment Adjustment At December 31, 2018 ThUS$	Eliminations At December 31, 2018 ThUS$	Air Transportation At December 31, 2018 ThUS$ Restated
Income from ordinary activities from external customers (*)	9,887,090	60,020	(51,654)	9,895,456
Passenger	8,700,622	60,020	(51,654)	8,708,988
Freight	1,186,468	-	-	1,186,468
Other operating income	346,315	126,443	-	472,758
Interest income	27,181	26,072	-	53,253
Interest expense	(539,137)	-	-	(539,137)
Total net interest expense	(511,956)	26,072	-	(485,884)
Depreciation and amortization	(1,365,809)	(6,819)	-	(1,372,628)
Material non-cash items other than depreciation and amortization	(104,038)	(85)	-	(104,123)
Disposal of fixed assets and inventory losses	(46,351)	-	-	(46,351)
Doubtful accounts	(18,741)	(96)	-	(18,837)
Exchange differences	(38,081)	11	-	(38,070)
Result of indexation units	(865)	-	-	(865)
Income (loss) attributable to owners of the parents	200,209	109,602	-	309,811
Expenses for income tax	121,155	(47,276)	-	73,879
Segment profit / (loss)	287,206	54,580	-	341,786
Assets of segment	18,943,127	1,145,942	(10,347)	20,078,722
Segment liabilities	16,212,905	449,347	(24,131)	16,638,121
Amount of non-current asset additions	1,090,177	-	-	1,090,177
Property, plant and equipment	995,085	-	-	995,085
Intangibles other than goodwill	95,092	-	-	95,092
Purchase of non-monetary assets of segment	756,913	-	-	756,913

(*) The Company does not have any interest income that should be recognized as income from ordinary activities by interest.

For the year ended	Air Transportation At December 31, 2018 ThUS$ Previously reported	Segment adjustment At December 31, 2018 ThUS$	Eliminations At December 31, 2018 ThUS$	Air Transportation At December 31, 2018 ThUS$ Restated
Net cash flows from				
Purchases of property, plant and equipment	660,631	76	-	660,707
Additions associated with maintenance	375,634	-	-	375,634
Other additions	284,997	76	-	285,073
Purchases of intangible assets (***)	85,628	10,578	-	96,206
Net cash flows from (used in) operating activities	1,950,532	111,161	11,623	2,073,316
Net cash flow from (used in) investing activities	(348,346)	(10,022)	-	(358,368)
Net cash flows from (used in) financing activities	(1,512,898)	(95,699)	-	(1,608,597)

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

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

	For the year ended At December 31, 2019 ThUS$	For the year ended At December 31, 2018 ThUS$
Peru	801,965	705,133
Argentina	584,959	989,883
U.S.A.	1,004,238	985,919
Europe	726,165	782,197
Colombia	380,449	372,794
Brazil	3,949,797	3,433,877
Ecuador	203,334	203,842
Chile	1,546,960	1,591,313
Asia Pacific and rest of Latin America	872,196	830,498
Income from ordinary activities	10,070,063	9,895,456
Other operating income	360,864	472,758

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Cash on hand	4,982	8,974
Bank balances	329,632	331,218
Overnight	350,080	282,164
Total Cash	684,694	622,356
Cash equivalents		
Time deposits	165,791	415,633
Mutual funds	222,094	43,653
Total cash equivalents	387,885	459,286
Total cash and cash equivalents	1,072,579	1,081,642

Cash and cash equivalents are denominated in the following currencies:

Currency	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Argentine peso	16,579	17,786
Brazilian real	197,354	131,760
Chilean peso	50,521	415,713
Colombian peso	48,191	10,843
Euro	21,927	20,339
US Dollar	667,785	394,215
Other currencies	70,222	90,986
Total	1,072,579	1,081,642

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of December 31, 2019

Assets	Measured at amortized cost ThUS$	At fair value with changes in results ThUS$	Hedge derivatives ThUS$	Total ThUS$
Cash and cash equivalents	850,485	222,094	-	1,072,579
Other financial assets, current (*)	36,660	386,669	76,175	499,504
Trade and others accounts receivable, current	1,244,348	-	-	1,244,348
Accounts receivable from related entities, current	19,645	-	-	19,645
Other financial assets, non current	46,907	-	-	46,907
Accounts receivable, non current	4,725	-	-	4,725
Total	2,202,770	608,763	76,175	2,887,708

Liabilities	Measured at amortized cost ThUS$	Hedge derivatives ThUS$	Total ThUS$
Other financial liabilities, current	1,835,288	50,372	1,885,660
Trade and others accounts payable, current	2,222,874	-	2,222,874
Accounts payable to related entities, current	56	-	56
Other financial liabilities, non-current	8,530,396	22	8,530,418
Accounts payable, non-current	619,110	-	619,110
Total	13,207,724	50,394	13,258,118

(*) The value presented as fair value with changes in the result, corresponds mainly to private investment funds, and as measured at amortized cost they correspond to guarantees delivered.

As of December 31, 2018 (Restated)

Assets	Measured at amortized cost ThUS$	At fair value with changes in results ThUS$	Hedge derivatives ThUS$	Total ThUS$
Cash and cash equivalents	1,037,989	43,653	-	1,081,642
Other financial assets, current (*)	16,203	344,426	23,355	383,984
Trade and others accounts receivable, current	1,162,582	-	-	1,162,582
Accounts receivable from related entities, current	2,931	-	-	2,931
Other financial assets, non current	58,700	-	-	58,700
Accounts receivable, non current	5,381	-	-	5,381
Total	2,283,786	388,079	23,355	2,695,220

Liabilities	Measured at amortized cost ThUS$ Restated	At fair value with changes in results ThUS$ Restated	Hedge derivatives ThUS$	Total ThUS$ Restated
Other financial liabilities, current (*)	1,760,653	7,712	25,921	1,794,286
Trade and others accounts payable, current accounts payables, current	1,674,303	-	-	1,674,303
Accounts payable to related entities, current	382	-	-	382
Other financial liabilities, non current	8,359,122	-	340	8,359,462
Accounts payable, non-current	529,277	-	-	529,277
Total	12,323,737	7,712	26,261	12,357,710

(*) The value presented as initial designation as fair value through profit and loss, corresponds mainly to private investment funds; and as measured at amortized cost they correspond to the guarantees granted.

7.2. Financial instruments by currency

a) Assets	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$ Restated
Cash and cash equivalents	1,072,579	1,081,642
Argentine peso	16,579	17,786
Brazilian real	197,354	131,760
Chilean peso	50,521	415,713
Colombian peso	48,191	10,843
Euro	21,927	20,339
US Dollar	667,785	394,215
Other currencies	70,222	90,986
Other financial assets (current and non-current)	546,411	442,684
Argentine peso	94	152
Brazilian real	417,477	327,110
Chilean peso	26,073	25,972
Colombian peso	522	1,748
Euro	1,525	7,438
US Dollar	97,988	78,121
Other currencies	2,732	2,143
Trade and other accounts receivable, current	1,244,348	1,162,582
Argentine peso	47,079	82,893
Brazilian real	537,221	511,171
Chilean peso	126,821	113,168
Colombian peso	2,288	7,259
Euro	32,711	49,044
US Dollar	436,774	110,312
Other currencies (*)	61,454	288,735
Accounts receivable, non-current	4,725	5,381
Brazilian real	3	3
Chilean peso	4,722	5,378
Accounts receivable from related entities, current	19,645	2,931
Brazilian real	-	293
Chilean peso	42	200
US Dollar	19,603	2,438
Total assets	2,887,708	2,695,220
Argentine peso	63,752	100,831
Brazilian real	1,152,055	970,337
Chilean peso	208,179	560,431
Colombian peso	51,001	19,850
Euro	56,163	76,821
US Dollar	1,222,150	585,086
Other currencies	134,408	381,864

(*) See the composition of the other currencies in Note 8 Trade, other accounts receivable and non-current accounts receivable.

b) Liabilities

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

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

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$ Restated
Trade accounts receivable	1,073,599	1,077,561
Other accounts receivable	275,876	188,393
Total trade and other accounts receivable	1,349,475	1,265,954
Less: Expected credit loss	(100,402)	(97,991)
Total net trade and accounts receivable	1,249,073	1,167,963
Less: non-current portion – accounts receivable	(4,725)	(5,381)
Trade and other accounts receivable, current	1,244,348	1,162,582

The fair value of trade and other accounts receivable does not differ significantly from the book value.

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.

	As of December 31, 2019			As December 31, 2018		
Portfolio maturity	Expected loss rate (1)	Gross book value (2)	Impairment loss Provision	Expected loss rate (1)	Gross book value (2)	Impairment loss Provision
	%	ThUS$	ThUS$	%	ThUS$	ThUS$
Up to date	2%	875,889	(16,433)	3%	888,930	(23,933)
From 1 to 90 days	8%	56,537	(4,253)	5%	91,387	(5,014)
From 91 to 180 days	28%	16,922	(4,747)	45%	11,085	(4,983)
From 181 to 360 days	39%	47,865	(18,459)	65%	15,078	(9,864)
more of 360 days	74%	76,386	(56,510)	76%	71,081	(54,197)
Total	9%	1,073,599	(100,402)	9%	1,077,561	(97,991)

(1) Corresponds to the expected average rate.
(2) the gross book value represents the maximum growth risk value of trade accounts receivable.

Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable are the following:

Currency	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Argentine Peso	47,079	82,893
Brazilian Real	537,224	511,174
Chilean Peso	131,543	118,546
Colombian peso	2,288	7,259
Euro	32,711	49,044
US Dollar	436,774	110,312
Other currency (*)	61,454	288,735
Total	1,249,073	1,167,963

(*) Other currencies		
Australian Dollar	20,964	100,733
Chinese Yuan	2,145	5,106
Danish Krone	54	475
Pound Sterling	7,428	18,129
Indian Rupee	37	7,163
Japanese Yen	1,222	56,589
Norwegian Kroner	14	283
Swiss Franc	535	5,046
Korean Won	8,172	31,381
New Taiwanese Dollar	1,117	6,180
Other currencies	19,766	57,650
Total	61,454	288,735

The movements of the provision for impairment losses of the Trade Debtors and other accounts receivable are as follows:

Periods	Opening balance ThUS$	Adoption adjustment IFRS 9 (*) ThUS$	Write-offs ThUS$	(Increase) Decrease ThUS$	Closing balance ThUS$
From January 1 to December 31, 2018	(87,909)	(10,524)	8,620	(8,178)	(97,991)
From January 1 to December 31, 2019	(97,991)	-	12,569	(14,980)	(100,402)

(*) Adjustment to the balance as of December 31, 2017 registered in retained earnings as of 01.01.2018 for the adoption of IFRS 9.

Once pre-judicial and judicial collection efforts are exhausted, the assets are written off against the allowance. The Company only uses the allowance method rather than direct write-off, to ensure control.

The historical and current renegotiations are not very relevant, and the policy is to analyze case by case to classify them according to the existence of risk, determining if their reclassification corresponds to pre-judicial collection accounts.

The maximum credit-risk exposure at the date of presentation of the information is the fair value of each one of the categories of accounts receivable indicated above.

	As of December 31, 2019			As of December 31, 2018		
	Gross exposure according to balance	Gross impaired exposure	Exposure net of risk concentrations	Gross exposure according to balance	Gross Impaired exposure	Exposure net of risk concentrations
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Trade accounts receivable	1,073,599	(100,402)	973,197	1,077,561	(97,991)	979,570
Other accounts receivable	275,876	-	275,876	188,393	-	188,393

There are no relevant guarantees covering credit risk and these are valued when they are settled; no materially significant direct guarantees exist. Existing guarantees, if appropriate, are made through IATA.

NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

(a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	Currency	As of December 31, 2019	As of December 31, 2018
					ThUS$	ThUS$
Foreign	Qatar Airways	Indirect shareholder	Qatar	US$	19,400	1,907
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	-	988
Foreign	Delta Air Lines Inc.	Shareholder	U.S.A.	USD	205	-
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	CLP	36	31
96.782.530-1	Inmobiliaria e Inversiones Asturias S.A.	Related director	Chile	CLP	1	-
76.335.600-0	Parque de Chile S.A.	Related director	Chile	CLP	2	-
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	CLP	1	5
	Total current assets				19,645	2,931

(b) Accounts payable

Tax No.	Related party	Relationship	Country of origin	Currency	As of December 31, 2019	As of December 31, 2018
					ThUS$	ThUS$
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	53	365
Foreign	Inversora Aeronáutica Argentina S.A.	Related director	Argentina	ARS	-	15
Foreign	Patagonia Seafarms INC	Related director	U.S.A.	USD	3	-
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Common shareholder	Brasil	BRL	-	2
	Total current liabilities				56	382

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

NOTE 10 -INVENTORIES

The composition of Inventories is as follows:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Technical stock	315,286	233,276
Non-technical stock	38,946	46,068
Total	354,232	279,344

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

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Provision for obsolescence Technical stock	21,193	20,500
Provision for obsolescenceNon-technical stock	11,610	4,621
Total	32,803	25,121

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

For the period ended December 31, 2019, the Company recorded ThUS$ 133,286 (ThUS$ 120,214 for the period ended December 31, 2018) in results, mainly related to on-board consumption and maintenance, which is part of the Cost of sales.

NOTE 11 - OTHER FINANCIAL ASSETS

The composition of other financial assets is as follows:

	Current Assets		Non-current assets		Total Assets	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
(a) Other financial assets						
Private investment funds	386,669	322,428	-	-	386,669	322,428
Deposits in guarantee (aircraft)	8,934	9,610	28,599	37,636	37,533	47,246
Guarantees for margins of derivatives	21,200	661	-	-	21,200	661
Other investments	-	-	494	494	494	494
Domestic and foreign bonds	19	1,394	-	-	19	1,394
Other guarantees given	6,507	7,140	15,138	20,570	21,645	27,710
Subtotal of other financial assets	423,329	341,233	44,231	58,700	467,560	399,933
(b) Hedging derivate asset						
Accrued Interest since the last payment date						
Cross currency swap of currencies	3	-	-	-	3	-
Fair value of interest rate derivatives	27,044	19,460	2,676	-	29,720	19,460
Fair value of foreign currency derivatives	586	3,895	-	-	586	3,895
Fair value of fuel price derivatives	48,542	-	-	-	48,542	-
Subtotal of derivate assets	76,175	23,355	2,676	-	78,851	23,355
(c) Derivatives not recognized as a hedge						
Foreign currency derivatives not recognized as a hedge	-	19,396	-	-	-	19,396
Subtotal of derivatives not recognized as a hedge	-	19,396	-	-	-	19,396
Total Other Financial Assets	499,504	383,984	46,907	58,700	546,411	442,684

The different derivative hedging contracts maintained by the Company at the end of each fiscal year are described in Note 19.

56

NOTE 12 - OTHER NON-FINANCIAL ASSETS

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

	Current assets		Non-current assets		Total Assets	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$ Restated	ThUS$	ThUS$ Restated	ThUS$	ThUS$ Restated
(a) Advance payments						
Aircraft insurance and other	11,179	16,483	523	-	11,702	16,483
Others	15,167	20,105	1,832	4,460	16,999	24,565
Subtotal advance payments	26,346	36,588	2,355	4,460	28,701	41,048
(b) Contract assets (1)						
GDS costs	16,593	14,708	-	-	16,593	14,708
Credit card commissions	23,437	21,614	-	-	23,437	21,614
Travel agencies commissions	16,546	12,635	-	-	16,546	12,635
Subtotal advance payments	56,576	48,957	-	-	56,576	48,957
(c) Other assets						
Aircraft maintenance reserve (2)	27,987	831	17,844	51,836	45,831	52,667
Sales tax	167,987	187,410	34,680	38,186	202,667	225,596
Other taxes	34,295	15,255	-	-	34,295	15,255
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	258	258	739	739	997	997
Judicial deposits	-	-	149,310	132,267	149,310	132,267
Others	-	1,177	-	53	-	1,230
Subtotal other assets	230,527	204,931	202,573	223,081	433,100	428,012
Total Other Non - Financial Assets	313,449	290,476	204,928	227,541	518,377	518,017

(1) Movement of Contracts assets:

	Initial balance	Activation	Adjustments by the application IFRS 15	Difference by conversion	Amortization	Final balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2018	-	180,171	54,361	(5,019)	(180,556)	48,957
From January 1 to December 31, 2019	48,957	166,300	-	(4,950)	(153,731)	56,576

(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

57

for each of its leased aircraft to ensure that they will be recovered and recognizes an expense if any such amounts are less than probable of being returned. The cost of aircraft maintenance in the last years has been higher than the related maintenance reserves for all aircraft.

As of December 31, 2019, maintenance reserves amount to ThUS$ 45,831 (ThUS$ 52,667 as of December 31, 2018), corresponding to 8 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 disposal group classifieds as held for sale at December 31, 2019 and December 31, 2018, are detailed below:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Current assets		
Aircraft	482,806	265
Engines and rotables	1,943	5,299
Other	401	204
Total	485,150	5,768

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 2019, four Airbus A350, aircraft two Boeing 767, were reclassified from Property, plants and equipment to Non-current assets or groups of assets for disposal classified as held for sale.

Additionally, during 2019, the sale of one motor spare Boeing 767 and one Boeing 767 aircraft were materialized. As a result of the above, during 2019, adjustments for US $ 2 million of expense were recognized to record these assets at their net realizable value.

The detail of the fleet classified as non-current assets and disposal group classified as held for sale is as follows:

Aircraft	As of December 31, 2019	As of December 31, 2018
Boeing 767	1	-
Airbus A350	4	-
ATR42-300	-	1
Total	5	1

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:

Name of significant subsidiary	Country of incorporation	Functional currency	Ownership As of December 31, 2019	As of December 31, 2018
			%	%
Latam Airlines Perú S.A.	Peru	US$	70.00000	70.00000
Lan Cargo S.A.	Chile	US$	99.89395	99.89803
Lan Argentina S.A.	Argentina	ARS	99.98370	99.86560
Transporte Aéreo S.A.	Chile	US$	100.00000	100.00000
Latam Airlines Ecuador S.A.	Ecuador	US$	100.00000	100.00000
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.19414	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 December 31, 2019						Income for the year ended December 31, 2019	
	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$
Latam Airlines Perú S.A.	519,363	481,592	37,771	510,672	508,541	2,131	1,186,668	(1,739)
Lan Cargo S.A.	634,852	334,725	300,127	462,666	398,872	63,794	274,774	(4,157)
Lan Argentina S.A.	262,049	255,641	6,408	89,070	86,912	2,158	218,989	(133,408)
Transporte Aéreo S.A.	359,335	101,128	258,207	142,423	46,383	96,040	315,105	14,610
Latam Airlines Ecuador S.A.	99,019	95,187	3,832	97,198	86,810	10,388	229,797	(3,411)
Aerovías de Integración Regional, AIRES S.A.	187,001	135,344	51,657	78,990	70,643	8,347	291,235	(3,009)
TAM S.A. (*)	5,036,864	2,580,665	2,456,199	3,497,559	2,556,280	941,279	5,013,293	185,720

Name of significant subsidiary	Statement of financial position as of December 31, 2018						Income for the year ended December 31, 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$
	Restated							Restated
Latam Airlines Perú S.A.	419,325	379,490	39,835	409,221	406,159	3,062	871,860	2,732
Lan Cargo S.A.	513,367	243,499	269,868	336,715	292,399	44,316	190,997	(34,322)
Lan Argentina S.A.	243,230	235,919	7,311	239,234	236,786	2,448	154,878	(132,538)
Transporte Aéreo S.A.	331,496	72,597	258,899	129,233	28,277	100,956	231,221	(17,609)
Latam Airlines Ecuador S.A.	108,735	96,564	12,171	98,238	89,921	8,317	174,821	4,354
Aerovías de Integración Regional, AIRES S.A.	116,352	55,865	60,487	77,984	69,150	8,834	215,366	(6,396)
TAM S.A. (*)	4,420,546	2,007,830	2,412,716	3,256,017	1,832,796	1,423,221	3,434,453	358,616

(b) Non-controlling

Equity	Tax No.	Country of origin	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
			%	%	ThUS$	ThUS$ Restated
Latam Airlines Perú S.A	0-E	Peru	30.00000	30.00000	2,609	3,032
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10196	0.10196	369	(101)
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0.01630	0.13940	(6,276)	8,684
Lan Argentina S.A.	0-E	Argentina	0.02890	0.02890	50	(472)
Americonsult de Guatemala S.A.	0-E	Guatemala	0.87000	1.00000	1	1
Americonsult S.A. and Subsidiaries	0-E	Mexico	0.20000	0.20000	(7)	1
Americonsult Costa Rica S.A.	0-E	Costa Rica	0.20000	1.00000	2	11
Linea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(755)	(462)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.79880	0.79880	899	378
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	1,503	1,740
Multiplus S.A.(*)	0-E	Brazil	-	27.26000	-	67,096
Total					(1,605)	79,908

Incomes	Tax No.	Country of origin	For the year ended December 31, 2019	December 31, 2018	For the year ended December 31, 2019	December 31, 2018
			%	%	ThUS$	ThUS$
Latam Airlines Perú S.A	0-E	Peru	30.00000	30.00000	(1,065)	1,673
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10196	0.10196	19	(406)
Promotora Aerea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	-	-	-	-
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0.01630	0.13940	359	66
Lan Argentina S.A.	0-E	Argentina	0.02890	0.02890	48	39
Americonsult S.A. and Subsidiaries	0-E	Mexico	0.20000	0.20000	(7)	2
Linea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(293)	58
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.79880	0.79880	(24)	87
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	420	717
Multiplus S.A.(*)	0-E	Brazil	-	27.26000	5,726	29,739
Total					5,183	31,975

(*) See Note 1 letter (b)

NOTE 15 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

	Classes of intangible assets (net)		Classes of intangible assets (gross)	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$
Airport slots	845,959	828,969	845,959	828,969
Loyalty program	263,806	274,420	263,806	274,420
Computer software	220,993	156,038	656,699	529,009
Developing software	99,193	151,853	99,193	151,853
Trademarks (1)	17,959	29,361	51,326	53,391
Other assets	331	431	1,315	1,325
Total	1,448,241	1,441,072	1,918,298	1,838,967

Movement in Intangible assets other than goodwill:

	Computer software Net	Developing software	Airport slots (2)	Trademarks and loyalty program (1) (2)	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2018	160,970	123,415	964,513	368,349	1,617,247
Additions	791	94,301	-	-	95,092
Withdrawals	(403)	(125)	-	-	(528)
Transfer software	59,771	(61,087)	-	-	(1,316)
Foreign exchange	(10,231)	(4,651)	(135,544)	(53,522)	(203,948)
Amortization	(54,549)	-	-	(11,046)	(65,595)
Adjustment application IAS 29 by hyperinflation Argentina	120	-	-	-	120
Closing balance as of December 31, 2018	156,469	151,853	828,969	303,781	1,441,072
Opening balance as of January 1, 2019	156,469	151,853	828,969	303,781	1,441,072
Additions	278	91,371	47,587	-	139,236
Withdrawals	(270)	(1,123)	-	-	(1,393)
Transfer software	136,935	(140,102)	-	-	(3,167)
Foreign exchange	(1,981)	(2,806)	(30,597)	(11,612)	(46,996)
Amortization	(70,107)	-	-	(10,404)	(80,511)
Closing balance as of December 31, 2019	221,324	99,193	845,959	281,765	1,448,241

1) In 2016, the Company resolved to adopt a unique name and identity, and announced that the group's brand will be LATAM, which united all the companies under a single image.

   The estimate of the new useful life is 5 years, equivalent to the period necessary to complete the change of image.

2) See Note 2.5

The amortization of each period is recognized in the consolidated income statement in the administrative expenses. The cumulative amortization of computer programs and brands as of December 31, 2019, amounts to ThUS $ 470,057 (ThUS $ 397,895 as of December 31, 2018).

NOTE 16 – GOODWILL

Goodwill as of December 31, 2019, amounts to ThUS $ 2,209,576 (ThUS $ 2,294,072 as of December 31, 2018). The goodwill movement, separated by CGU, includes the following:

Movement of Goodwill, separated by CGU:

	Air Transport	Coalition and loyalty program Multiplus	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2018	2,146,692	525,858	2,672,550
Increase (decrease) due to exchange rate differences	(300,203)	(76,922)	(377,125)
Adjustment IAS 29, hyperinflation Argentina	335	-	335
Others	(1,688)	-	(1,688)
Closing balance as of December 31, 2018	1,845,136	448,936	2,294,072
Opening balance as of January 1, 2019	1,845,136	448,936	2,294,072
Increase (decrease) due to exchange rate differences	(67,133)	(17,363)	(84,496)
Transfer from Multiplus S.A. (see nota 1)	431,573	(431,573)	-
Closing balance as of December 31, 2019	2,209,576	-	2,209,576

As of December 31, 2019, the Company maintains only the CGU “Air Transport”, due to the merger of Multiplus S.A. in TAM Linhas Aereas (see Note 1), and changes in the management structure.

The CGU “Air transport” considers the 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.

The recoverable amount of the CGU has been determined based on the value in use calculations which require the use of assumptions. These calculations use cash flow projections covering a 5 year period which is based on the financial budgets approved by management. Cash flows beyond the 5 year period are extrapolated using the estimated revenue growth rates and average volumes, which do not exceed the average long-term revenue growth rates.

Management’s cash flow projections included significant judgements and assumptions related to annual revenue growth rates, discount rate, inflation rates, the exchange rate and price of fuel. The annual revenue growth rate is based on past performance and management’s expectations of market development in each of the countries in which it operates. The discount rates used, for the CGU "Air transport", are in determined in US dollars, after taxes, and reflect specific risks related to the relevant countries of each of the operations. Inflation rates and exchange rates are based on the data available from the countries and the information provided by the Central Bank of the various countries where it operates, and the price of fuel is determined based on estimated levels of production, the competitive environment of the market in which they operate and their commercial strategy.

As of December 31, 2019 the recoverable values were determined using the following assumptions presented below:

		Air transportation CGU
Annual growth rate (Terminal)	%	1.0 - 2.0
Exchange rate (1)	R$/US$	4.0 - 4.9
Discount rate based on the weighted average cost of capital (WACC)	%	7.50 - 8.50
Fuel Price from futures price curves commodities markets	US$/barrel	79-80

(1) In line with the expectations of the Central Bank of Brazil

The result of the impairment test, which includes a sensitivity analysis of its main variables, showed that the estimated recoverable amount exceeded the carrying amount of the cash generating unit, and therefore no impairment was detected.

The calculation of the recoverable value of the CGU is most sensitive to annual revenue growth rates, discount and exchange rates. The sensitivity analysis included the individual impact of the variations of the critical estimates when determining the recoverable amounts, namely:

	Increase Maximum WACC	Decrease Minimum terminal growth rate
	%	%
Air transportation CGU	8.5	1.0

In none of the previous cases there was an impairment of the cash generating unit.

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

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

	Gross Book Value		Accumulated depreciation		Net Book Value	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$ Restated	ThUS$	ThUS$ Restated	ThUS$	ThUS$ Restated
Construction in progress (1)	372,589	630,320	-	-	372,589	630,320
Land	48,406	45,424	-	-	48,406	45,424
Buildings	133,488	179,907	(58,626)	(67,342)	74,862	112,565
Plant and equipment	13,993,044	13,333,837	(4,630,001)	(4,361,337)	9,363,043	8,972,500
Own aircraft	13,268,562	12,595,223	(4,421,211)	(4,096,975)	8,847,351	8,498,248
Other (2)	724,482	738,614	(208,790)	(264,362)	515,692	474,252
Machinery	33,658	34,253	(28,441)	(27,659)	5,217	6,594
Information technology equipment	161,992	160,936	(141,216)	(138,372)	20,776	22,564
Fixed installations and accessories	171,469	182,629	(111,635)	(111,620)	59,834	71,009
Motor vehicles	67,060	69,653	(60,327)	(60,531)	6,733	9,122
Leasehold improvements	234,249	211,322	(135,789)	(128,055)	98,460	83,267
Right of use	5,693,553	4,987,953	(2,823,855)	(2,439,509)	2,869,698	2,548,444
Aircraft	5,438,404	4,761,529	(2,669,864)	(2,305,195)	2,768,540	2,456,334
Other assets	255,149	226,424	(153,991)	(134,314)	101,158	92,110
Total	20,909,508	19,836,234	(7,989,890)	(7,334,425)	12,919,618	12,501,809

(1) As of December 31, 2019, includes advances paid to aircraft manufacturers for ThUS$ 348,148 (ThUS$ 612,236 as of December 31, 2018)

(2) Consider mainly rotables and tools.

a) Movement in the different categories of Property, plant and equipment:

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Rights of use net	Property, Plant and equipment net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2018 Restated	556,822	49,780	124,548	9,138,591	30,156	80,777	436	84,225	2,865,317	12,930,652
Additions	7,927	-	-	635,367	4,995	64	24	20,410	326,298	995,085
Disposals	-	(8)	(1,412)	(4,747)	(30)	(74)	(14)	-	-	(6,285)
Retirements	(80)	-	(19)	(63,774)	(92)	(27)	-	(4)	-	(63,996)
Depreciation expenses	-	-	(6,219)	(705,577)	(11,677)	(12,538)	(146)	(27,766)	(391,138)	(1,155,061)
Foreign exchange	(714)	(4,348)	(4,244)	(94,488)	(1,819)	(8,499)	(28)	(2,351)	(13,751)	(130,242)
Other increases (decreases)	65,992	-	(89)	78,341	732	10,195	273	8,753	(238,282)	(74,085)
Adjustment application IAS 29	373	-	-	3,869	299	1,111	89	-	-	5,741
Changes, total	73,498	(4,356)	(11,983)	(151,009)	(7,592)	(9,768)	198	(958)	(316,873)	(428,843)
Closing balance as of December 31, 2018 Restated	630,320	45,424	112,565	8,987,582	22,564	71,009	634	83,267	2,548,444	12,501,809
Opening balance as of January 1, 2019 (Restated)	630,320	45,424	112,565	8,987,582	22,564	71,009	634	83,267	2,548,444	12,501,809
Additions	21,884	7,950	-	1,694,640	6,580	26	73	34,988	753,164	2,519,305
Disposals	-	(28)	(47)	(23,945)	(13)	(75)	(11)	-	-	(24,119)
Retirements	(20)	-	-	(64,838)	(85)	(77)	-	(362)	-	(65,382)
Depreciation expenses	-	-	(5,768)	(776,225)	(8,574)	(11,945)	(94)	(19,001)	(400,384)	(1,221,991)
Foreign exchange	(1,340)	(1,103)	(914)	(24,615)	(234)	(2,007)	(125)	(432)	(4,561)	(35,331)
Other increases (decreases)	(278,255)	(3,837)	(30,974)	(418,083)	538	2,903	-	-	(26,965)	(754,673)
Changes, total	(257,731)	2,982	(37,703)	386,934	(1,788)	(11,175)	(157)	15,193	321,254	417,809
Closing balance as of December 31, 2019	372,589	48,406	74,862	9,374,516	20,776	59,834	477	98,460	2,869,698	12,919,618

(b) Composition of the fleet:

Aircraft	Model	Aircraft included in Property, plant and equipment		Aircraft included as Rights of use assets		Total fleet	
		As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
Boeing 767	300ER	28	33	2	2	30	35
Boeing 767	300F	11 (1)	9 (1)	1	1	12 (1)	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	6	4	10	10	16	14
Airbus A319	100	37	37	9	9	46	46
Airbus A320	200	96 (2)	97 (2)	46	34	142 (2)	131 (2)
Airbus A320	NEO	7	1	6	3	13	4
Airbus A321	200	30	30	19	19	49	49
Airbus A350	900	2	5	7 (3)	4 (3)	9 (3)	9
Total		227	226	110	94	337	320

(1) One aircraft leased to Aerotransportes Mas de Carga S.A. de C.V.
(2) Three aircraft leased to Salam Air and two to Sundair
(3) Four aircraft leased to Qatar Airways, which are in assets by right of use.

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

	Method	Useful life (years) minimum	Useful life (years) maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	30
Information technology equipment	Straight line without residual value	5	10
Fixed installations and accessories	Straight line without residual value	10	10
Motor vehicle	Straight line without residual value	10	10
Leasehold improvements	Straight line without residual value	5	8
Assets for rights of use	Straight line without residual value	1	25

(*) 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.

In the year 2019, the charge to income for the depreciation of the year, which is included in the consolidated statement of income, amounts to ThUS $ 1,221,991 and ThUS $ 1,155,061 for the same period of the year 2018; those amounts include depreciation of assets for right of use, for ThUS $ 400,384 and ThUS $ 391,138, respectively). This expense is recognized in the cost of sales and administrative expenses of the consolidated statement of income.

(d) Additional information regarding Property, plant and equipment:

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

Description of Property, plant and equipment pledged as guarantee:

Guarantee agent (1)	Creditor company	Fleet	As of December 31, 2019 Existing Debt	As of December 31, 2019 Book Value	As of December 31, 2018 Existing Debt	As of December 31, 2018 Book Value
			ThUS$	ThUS$	ThUS$	ThUS$
Wilmington Trust Company	MUFG	Airbus A319	74,713	256,937	96,057	234,329
		Airbus A320	70,644	256,651	98,903	220,390
		Boeing 767	61,728	196,244	82,793	206,868
		Boeing 787	120,938	127,283	144,312	133,388
		Airbus A321	353,774	452,107	389,080	477,778
		Boeing 787	332,131	374,998	365,375	398,510
	Aircraft and engines	Airbus A350	180,320	192,620	198,301	204,860
		Boeing 787	143,475	191,804	162,378	204,961
Banco Santander S.A.	Aircraft and engines	Airbus A320	-	-	172,474	275,511
		Airbus A321	-	-	25,661	41,957
BNP Paribas	Aircraft and engines	Airbus A319	-	-	9,693	19,113
BNP Paribas		Airbus A319	-	-	17,009	26,407
Credit Agricole		Airbus A319	-	-	11,154	31,865
		Airbus A320	85,986	95,148	134,328	132,301
		Airbus A321 / A350	83,281	67,882	22,439	24,939
		Boeing 767	10,404	35,226	21,830	43,568
	Aircraft and engines	Boeing 787	74,023	36,594	74,023	42,228
Wells Fargo	Aircraft and engines	Airbus A320	-	-	196,540	285,877
Bank Of Utah	Aircraft and engines (2)	Airbus A320 / A350	296,441	378,462	502,006	630,065
		Boeing 787	217,500	259,934	-	-
	Aircraft and engines (2)	Airbus A320 / A350	44,088	-	54,014	-
	Aircraft and engines					
Natixis		Airbus A321	282,927	384,224	324,524	410,771
Citibank N.A.	Aircraft and engines	Airbus A320	-	-	78,049	132,296
		Airbus A321	-	-	28,938	70,333
UMB Bank	Aircraft and engines	Airbus A320	106,250	149,607	-	-
MUFG Bank	Aircraft and engines	Airbus A320	216,411	310,311	-	-
PK AirFinance US, Inc.	Aircraft and engines	Airbus A320	-	-	37,615	52,435
Banco BBVA	Land and buildings (3)		-	-	50,785	64,500
Total direct guarantee			2,755,034	3,766,032	3,298,281	4,365,250

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

(2) As of December 31, 2019, three A350 aircraft are classified under Non-current assets or groups of assets for disposal as held for sale.

(3) Corresponds to a debt classified under item loans to exporters (see Note 19).

The amounts of the current debt are presented at their nominal value. The book value corresponds to the goods granted as collateral.

Additionally, there are indirect guarantees associated with assets registered in properties, plants and equipment whose total debt as of December 31, 2019, amounts to ThUS$ 1,762,611 (ThUS$ 1,633,504 as of December 31, 2018). The book value of the assets with indirect guarantees as of December 31, 2019, amounts to ThUS$ 3,866,237 (ThUS$ 3,258,950 as of December 31, 2018).

As of December 31, 2019, the Company keeps valid letters of credit related to assets by right of use according to the following detail:

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, 2020
Avolon Aerospace AOE 62 Limited	Latam Airlines Group S.A.	Three letter of credit	2,167	Sep 30, 2020
Bank of Utah	Latam Airlines Group S.A.	One letter of credit	2,000	Mar 24, 2020
GE Capital Aviation Services Ltd.	Latam Airlines Group S.A.	Three letter of credit	14,327	Jan 20, 2020
ORIX Aviation Systems Limited	Latam Airlines Group S.A.	Four letter of credit	10,034	Sep 26, 2020
Sky High XXIV Leasing Company	Latam Airlines Group S.A.	Eight letter of credit	6,831	Aug 05, 2020
Merlin Aviation Leasing (Ireland) 18 Limited	Tam Linhas Aéreas S.A.	One letter of credit	3,852	Mar 15, 2020
Shapphire Leasing (AOE) Limited	Tam Linhas Aéreas S.A.	One letter of credit	7,500	Oct 19, 2020
Wells Fargo Bank	Latam Airlines Group S.A.	Nine letter of credit	15,160	Mar 13, 2020
Banc Of America	Latam Airlines Group S.A.	Three letter of credit	1,044	Jul 7, 2020
Macquaire Aircraft Leasing Services	Latam Airlines Group S.A.	Five letter of credit	2,582	Aug 1, 2020
TC Skyward Aviation US Inc	Tam Linhas Aéreas S.A.	One letter of credit	13,100	Oct 6, 2020
RB Comercial Properties 49 Empreendimentos Imobiliarios LTDA	Tam Linhas Aéreas S.A.	One letter of credit	35,974	Apr 29, 2020
			115,671	

(ii) Commitments and others

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

	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Gross book value of fully depreciated property, plant and equipment still in use	261,792	192,606
Commitments for the acquisition of aircraft (*)(**)	7,390,000	14,400,000

(*) According to the manufacturer's price list.
(**) The current commitments do not consider 10 Airbus aircraft of the A350 family, included in a sales contract with Delta Air Lines, Inc.

Purchase commitment of aircraft

	Year of delivery					
Manufacturer	2020	2021	2022	2023	2024-2026	Total
Airbus S.A.S. (*)	3	10	11	9	11	44
A320-NEO Family	3	10	11	9	9	42
A350 Family	-	-	-	-	2	2
The Boeing Company	2	2	-	2	-	6
Boeing 787-9	2	2	-	2	-	6
Total	5	12	11	11	11	50

(*) During the third quarter of 2019 the company signed a sale contract with Delta Air Lines, Inc. for 14 Airbus A350 family aircraft, 10 were within the current aircraft purchase commitments and 4 that were already in PPE were classified as assets held for sale as of December 31, 2019.

As of December 31, 2019, as a result of the different aircraft purchase contracts and agreements signed with Airbus SAS, there are remaining to receive 42 Airbus aircraft of the A320 family, with deliveries between 2020 and 2024, and 2 Airbus aircraft of the A350 family with dates delivery for between 2026. The approximate amount, according to manufacturer's list prices, is ThUS$ 5,640,000.

As of December 31, 2019, as a result of the different aircraft purchase contracts signed with The Boeing Company, there are remaining 6 Boeing 787 Dreamliner aircraft, with delivery dates between 2020 and 2023. The approximate amount, according to manufacturer's list prices, is ThUS$ 1,750,000.

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

		For the year ended December 31, 2019	2018
Average rate of capitalization of capitalized interest costs	%	4.72	4.64
Costs of capitalized interest	ThUS$	1,444	13,007

NOTE 18 - CURRENT AND DEFERRED TAXES

In the period ended December 31, 2019, the income tax provision was calculated for such period, applying the partially integrated taxation system and a rate of 27%, in accordance with the Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

Deferred taxes are recognized, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

No deferred tax has been recorded for permanent difference, since they are caused by transactions that are recorded in the financial statements and that will not have impact on income taxes.

(a) Current taxes

(a.1) The composition of the current tax assets is the following:

	Current assets		Non-current assets		Total assets	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Provisional monthly payments (advances)	10,968	48,480	-	-	10,968	48,480
Other recoverable credits	18,353	20,654	-	757	18,353	21,411
Total assets by current tax	29,321	69,134	-	757	29,321	69,891

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

	Current liabilities		Non-current liabilities		Total liabilities	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Income tax provision	11,925	3,738	-	-	11,925	3,738
Total liabilities by current tax	11,925	3,738	-	-	11,925	3,738

(b) Deferred taxes

The balances of deferred tax are the following:

	Assets		Liabilities	
Concept	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$ Restated	ThUS$	ThUS$ Restated
Properties, Plants and equipment	186,311	150,831	1,700,215	1,733,327
Assets by right of use	42,011	202	(91,470)	(85,550)
Amortization	(903)	(983)	52,233	55,880
Provisions	(139,346)	(38,303)	(182,913)	(75,631)
Revaluation of financial instruments	422	445	(9,857)	458
Tax losses	155,539	170,980	(1,200,729)	(1,198,170)
Intangibles	-	-	349,082	351,238
Others	(8,451)	(9,643)	242	5,019
Total	235,583	273,529	616,803	786,571

The balance of deferred tax assets and liabilities are composed primarily of temporary differences to be reversed in the long term.

Movements of Deferred tax assets and liabilities

(a) From January 1 to December 31, 2018 Restated (Unaudited)

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Ending balance Asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Property, plant and equipment	(1,568,764)	(19,735)	-	6,003	(1,582,496)
Assets for right of use	75,849	9,903	-	-	85,752
Amortization	(54,820)	(3,735)	-	1,692	(56,863)
Provisions	(10,461)	92,804	1,566	(46,581)	37,328
Revaluation of financial instruments	3,750	(2,326)	(269)	(1,168)	(13)
Tax losses	1,479,560	(98,154)	-	(12,256)	1,369,150
Intangibles	(406,536)	20,000	-	35,298	(351,238)
Others	(28,405)	5,439	-	8,304	(14,662)
Total	(509,827)	4,196	1,297	(8,708)	(513,042)

(b) From January 1 to December 31, 2019

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Ending balance Asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Property, plant and equipment	(1,582,496)	67,237	-	1,355	(1,513,904)
Assets for right of use	85,752	47,729	-	-	133,481
Amortization	(56,863)	3,345	-	382	(53,136)
Provisions	37,328	13,881	2,873	(10,515)	43,567
Revaluation of financial instruments	(13)	10,142	414	(264)	10,279
Tax losses	1,369,150	(10,116)	-	(2,766)	1,356,268
Intangibles	(351,238)	(11,718)	-	13,874	(349,082)
Others	(14,662)	5,844	-	125	(8,693)
Total	(513,042)	126,344	3,287	2,191	(381,220)

Deferred tax assets not recognized:	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Tax losses	110,933	137,761
Total Deferred tax assets not recognized	110,933	137,761

Deferred tax assets on tax losses are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. As a result, as of December 31, 2019, the Company no longer recognizes deferred tax assets for

ThUS $ 110.933 (ThUS $ 137,761 as of December 31, 2018) with respect to losses of ThUS $ 338,679 (ThUS $ 447,150 at December 31, 2018).

Deferred tax expense and current income taxes:

	For the year ended December 31,	
	2019	2018
	ThUS$	ThUS$
Current tax expense		
Current tax expense	72,999	77,713
Adjustment to previous period's current tax	(352)	362
Total current tax expense, net	72,647	78,075
Deferred tax expense		
Deferred expense for taxes related to the creation and reversal of temporary differences	(126,344)	(4,196)
Total deferred tax expense, net	(126,344)	(4,196)
Income tax expense	(53,697)	73,879

Composition of income tax expense (income):

	For the year ended December 31,	
	2019	2018
	ThUS$	ThUS$
Current tax expense, net, foreign	76,806	65,850
Current tax expense, net, Chile	(4,159)	12,225
Total current tax expense, net	72,647	78,075
Deferred tax expense, net, foreign	37,294	58,271
Deferred tax expense, net, Chile	(163,638)	(62,467)
Deferred tax expense, net, total	(126,344)	(4,196)
Income tax expense	(53,697)	73,879

Profit before tax by the legal tax rate in Chile (27% at December 31, 2019 and 2018)

	For the year ended December 31,		For the year ended December 31,	
	2019	2018	2019	2018
	ThUS$	ThUS$	%	%
Tax expense using the legal rate	38,318	112,230	27.00	27.00
Tax effect by change in tax rate	-	5,587	-	1.34
Tax effect of rates in other jurisdictions	20,082	15,905	14.15	3.83
Tax effect of non-taxable operating revenues	(13,125)	(3,076)	(9.25)	(0.74)
Tax effect of disallowable expenses	66,257	61,295	46.69	14.75
Tax effect of due to the non-use of tax losses	-	46,492	-	11.18
Other increases (decreases) in legal tax charge	(165,229)	(164,554)	(116.43)	(39.59)
Total adjustments to tax expense using the legal rate	(92,015)	(38,351)	(64.84)	(9.23)
Tax expense using the effective rate	(53,697)	73,879	(37.84)	17.77

Other increases (decreases) in legal tax charges for US $ 165.2 million (US $ 164.6 million as of December 31, 2018) mainly include the effect of the reduction of the deferred tax liability of US $ 145.9 million (US $ 172.9 to 31 December 2018) that occurs at the early termination the aircraft financing that were on leasing with special purpose vehicle outside Chile; and other adjustments for permanent differences in other group companies for US $ 19.3 million (US $ 8.3 as of December 31, 2018).

Deferred taxes related to items charged to net equity:

	For the period ended December 31,	
	2019	2018
	ThUS$	ThUS$
Aggregate deferred taxation of components of other comprehensive income	3,287	1,297

NOTE 19 - OTHER FINANCIAL LIABILITIES

The composition of other financial liabilities is as follows:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$ Restated
Current		
(a) Interest bearing loans	1,421,261	1,397,156
(b) Lease Liability	414,027	363,497
(c) Hedge derivatives	50,372	25,921
(d) Derivative non classified as hedge accounting	-	7,712
Total current	1,885,660	1,794,286
Non-current		
(a) Interest bearing loans	5,772,266	5,864,570
(b) Lease Liability	2,758,130	2,494,552
(b) Hedge derivatives	22	340
Total non-current	8,530,418	8,359,462

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Current		
Loans to exporters	341,475	400,721
Bank loans	16,534	37,743
Guaranteed obligations (4)	237,951	324,976
Other guaranteed obligations	97,730	97,143
Subtotal bank loans	693,690	860,583
Obligation with the public	32,061	14,643
Financial leases (4)	594,249	425,100
Other loans	101,261	96,830
Total current	1,421,261	1,397,156
Non-current		
Bank loans	200,721	184,998
Guaranteed obligations (4)	1,919,376	2,209,045
Other guaranteed obligations	482,702	576,309
Subtotal bank loans	2,602,799	2,970,352
Obligation with the public (1)(2)(3)	2,032,873	1,538,436
Financial leases (4)	1,136,594	1,199,754
Other loans	-	156,028
Total non-current	5,772,266	5,864,570
Total obligations with financial institutions	7,193,527	7,261,726

(1) On February 11, 2019, LATAM Finance Limited, a company incorporated in the Cayman Islands with limited liability and exclusively owned by LATAM Airlines Group SA, has issued on the international market, pursuant to Rule 144-A and Regulation S of the securities laws of the United States of America, unsecured long-term bonds for a nominal amount of US $ 600,000,000 at an annual interest rate of 7.00%. The bonds were placed at an issue price of 99.309% with respect to its even value. The bonds have semiannual interest payments and amortization of all capital at maturity and maturity date on March 1, 2026, unless they will be redeemed early according to their terms. As reported to the market, the issuance and placement was intended to finance general corporate purposes.

(2) On June 6, 2019, LATAM Airlines Group S.A. has issued in the local market (Santiago Stock Exchange) long-term unsecured bonds called Series E (BLATM-E), which correspond to the first series of bonds charged to the line registered in the Registro de Comisión para el Mercado Financiero (“CMF”) under the number Nº 921 dated November 26, 2018 for a total of UF 9,000,000.

The total amount issued was UF 5,000,000 with an expiration date on April 15, 2029 and a 3.60% annual coupon rate with semiannual interest payments. The placement rate was 2.73%, equivalent to an amount of ThUS$ 215,093.

The funds from the issuance were allocated 50% to the refinancing of liabilities, 30% for the financing of investments and 20% for general corporate purposes.

(3) On July 11, 2019, LATAM Finance Limited, a company incorporated in the Cayman Islands with limited liability and exclusive property of LATAM Airlines Group SA, issued a re-opening of the LATAM 2026 bond, issued on February 11 of 2019, for US $ 200,000,000. This re-opening had a placement rate of 5.979%.

Simultaneously, dated July 11, 2019, LATAM Airlines Group S.A. announced an offer for the repurchase of up to US $ 300 million of the unsecured LATAM 2020 bond, which was issued on June 9, 2015 for an amount of US $ 500 million at a coupon rate of 7.25% and due in June 2020. Offer repurchase price was 103.8 cents per dollar of nominal amount for the bonds offered until July 24, 2019, after this date and until August 7, 2019, the offered repurchase price was reduced to 100.8 cents for dollar at the expiration of the offer, a total of US $ 238,412,000 of the bonds were redeemed, of which US $ 238,162,000 arrived on or before July 24, 2019 and US $ 250,000 after that date.

The net proceeds obtained from the re-opening of the LATAM 2026 bond was used to pay a portion of the public offer of the LATAM 2020 bond. The remainder of the public offer was paid in cash.

On December 17, 2019, LATAM Airlines Group S.A. The repurchase of the remainder (US $ 262 million) of the unsecured bond LATAM2020 ended, which, added to the repurchase of July 11, 2019, ends the entire balance of the bond. The repurchase was carried out through the buy-back mechanism called “Make-Whole,” which is a right of the bond issuer to repurchase the entire outstanding balance of debt based on a price that is calculated using government treasury bonds. of the United States with maturity close to that of the bond and adding a spread. The repurchase price was 102,45 cents per dollar of nominal bond amount.

(4) In the year ended December 31, 2019, the Company sold its participation in 8 permanent establishments. As a result of the above, the classification of financial liabilities associated with 41 aircraft of guaranteed obligations became financial leases.

Currency balances that make the interest bearing loans:

Currency	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Chilean peso (U.F.)	611,542	500,398
US Dollar	6,581,985	6,761,328
Total	7,193,527	7,261,726

Interest-bearing loans due in installments to December 31, 2019
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total nominal value ThUS$	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total accounting value ThUS$	Amortization	Effective rate %	Nominal rate %
Loans to exporters																		
97.032.000-8	BBVA	Chile	US$	24,000	75,000	-	-	-	99,000	24,910	75,000	-	-	-	99,910	At Expiration	3.29	3.29
97.003.000-K	BANCO DO BRASIL	Chile	UF	150,000	50,000	-	-	-	200,000	150,257	50,283	-	-	-	200,540	At Expiration	2.93	2.93
97.951.000-4	HSBC	Chile	US$	12,000	-	-	-	-	12,000	12,016	-	-	-	-	12,016	At Expiration	3.25	3.25
76.100.458-1	BLADEX	Chile	US$	-	29,000	-	-	-	29,000	-	29,009	-	-	-	29,009	At Expiration	2.82	2.82
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	5,205	10,410	-	-	-	15,615	5,192	10,369	-	-	-	15,561	Quarterly	3.35	3.35
0-E	SANTANDER	Spain	US$	-	-	137,860	-	-	137,860	255	-	137,860	-	-	138,115	Quarterly	3.62	4.61
76.362.099-9	BTG PACTUAL CHILE	Chile	UF	-	-	62,769	-	-	62,769	113	-	62,172	-	-	62,285	At Expiration	3.10	3.10
Obligations with the public																		
0-E	ESTADO	Chile	UF	-	-	164,485	-	353,547	518,032	-	2,642	164,398	-	366,656	533,696	At Expiration	4.81	4.81
97.030.000-7	BANK OF NEW YORK	U.S.A.	US$	-	-	-	700,000	800,000	1,500,000	18,640	10,779	-	698,256	803,563	1,531,238	At Expiration	7.16	6.94
Guaranteed obligations																		
0-E	BNP PARIBAS	U.S.A.	US$	8,115	36,282	93,788	100,622	275,134	513,941	10,058	36,855	91,224	99,297	273,038	510,472	Quarterly	3.81	3.81
0-E	WILMINGTON TRUST	U.S.A.	US$	22,090	66,710	183,332	196,452	397,639	866,223	27,229	66,710	178,784	194,741	395,983	863,447	Quarterly	4.45	4.45
0-E	CITIBANK	U.S.A.	US$	4,805	14,608	40,414	42,626	41,022	143,475	5,461	14,608	36,178	40,932	40,310	137,489	Quarterly	3.76	2.68
0-E	NATIXIS	France	US$	10,675	32,708	84,674	78,123	76,726	282,906	11,410	32,708	83,072	77,195	75,928	280,313	Quarterly	3.82	3.82
0-E	INVESTEC	England	US$	1,538	8,976	22,977	10,596	-	44,087	1,867	9,112	22,597	10,565	-	44,141	Semiannual	6.35	6.35
0-E	MUFG	U.S.A.	US$	2,973	18,593	53,816	57,993	189,285	322,660	3,182	18,593	53,367	57,694	188,471	321,307	Quarterly	3.43	3.43
-	SWAP Received Aircraft	-	US$	80	78	-	-	-	158	80	78	-	-	-	158	Quarterly	-	-
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US$	-	-	253,692	-	-	253,692	2,370	-	252,747	-	-	255,117	At Expiration	3.74	3.74
0-E	MUFG	U.S.A.	US$	23,669	71,432	188,440	44,482	-	328,023	23,929	71,431	185,938	44,017	-	325,315	Quarterly	3.54	3.54
Financial leases																		
0-E	ING	U.S.A.	US$	3,875	7,931	-	-	-	11,806	3,952	7,931	-	-	-	11,883	Quarterly	5.71	5.01
0-E	CREDIT AGRICOLE	France	US$	4,831	14,723	6,537	-	-	26,091	4,943	14,723	6,537	-	-	26,203	Quarterly	3.15	2.52
0-E	CITIBANK	U.S.A.	US$	17,972	52,790	113,746	16,399	-	200,907	18,633	52,790	112,712	16,368	-	200,503	Quarterly	3.39	2.80
0-E	PEFCO	U.S.A.	US$	1,901	1,926	-	-	-	3,827	1,918	1,926	-	-	-	3,844	Quarterly	5.65	5.03
0-E	BNP PARIBAS	U.S.A.	US$	8,523	23,197	25,182	20,717	10,110	87,729	9,042	23,197	24,675	20,424	9,975	87,313	Quarterly	3.85	3.72
0-E	WELLS FARGO	U.S.A.	US$	32,321	97,956	248,086	199,037	14,284	591,684	34,868	97,956	233,822	195,209	14,138	575,993	Quarterly	2.67	1.98
97.036.000-K	SANTANDER	Chile	US$	5,690	17,255	46,472	3,134	-	72,551	5,959	17,255	45,805	3,128	-	72,147	Quarterly	3.00	2.46
0-E	RRPF ENGINE	England	US$	864	2,348	7,441	8,075	915	19,643	908	2,348	7,441	8,075	915	19,687	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A.	US$	1,483	4,509	12,474	7,242	-	25,708	1,632	4,509	12,162	7,212	-	25,515	Quarterly	3.33	2.73
0-E	BTMU	U.S.A.	US$	3,010	9,148	25,278	13,904	-	51,340	3,191	9,148	24,661	13,849	-	50,849	Quarterly	3.33	2.73
0-E	NATIXIS	France	US$	702	2,173	2,279	-	-	5,154	723	2,173	2,279	-	-	5,175	Quarterly	4.41	4.41
0-E	KFW IPEX-BANK	Germany	US$	1,760	3,568	-	-	-	5,328	1,769	3,568	-	-	-	5,337	Quarterly	3.55	3.55
0-E	AIRBUS FINANCIAL	U.S.A.	US$	1,977	5,687	-	-	-	7,664	1,992	5,687	-	-	-	7,679	Monthly	3.31	3.31
0-E	US BANK	U.S.A.	US$	15,862	48,132	132,441	135,200	17,492	349,127	17,610	48,132	119,881	130,865	17,188	333,676	Quarterly	4.01	2.82
0-E	PK AIRFINANCE	U.S.A.	US$	2,487	7,729	17,871	-	-	28,087	2,530	7,729	17,871	-	-	28,130	Monthly	3.45	3.45
Other loans																		
0-E	CITIBANK (*)	U.S.A.	US$	24,595	76,431	-	-	-	101,026	24,830	76,431	-	-	-	101,261	Quarterly	6.00	6.00
	Total			393,003	789,300	1,924,054	1,634,602	2,176,154	6,917,113	431,469	803,680	1,876,183	1,617,827	2,186,165	6,915,324			

(*) Securitized bond with the future flows from the sales with credit card in United States and Canada, through the company Guanay Finance Limited.

Interest-bearing loans due in installments to December 31, 2019

Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	148	452	689	-	-	1,289	153	452	689	-	-	1,294	Monthly	6.01	6.01
Financial leases																		
0-E	NATIXIS	France	US$	3,243	6,906	76,107	-	-	86,256	3,723	6,906	76,107	-	-	86,736	Quarterly/Semiannual	6.29	6.29
0-E	WACAPOU LEASING S.A.	Luxemburg	US$	757	2,317	3,206	-	-	6,280	777	2,317	3,206	-	-	6,300	Quarterly	4.32	4.32
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	9,855	160,076	-	-	-	169,931	10,409	159,876	-	-	-	170,285	Quarterly	5.39	5.39
0-E	GA Telessis LLC	U.S.A	US$	306	1,100	2,385	2,694	7,010	13,495	399	1,100	2,385	2,694	7,010	13,588	Monthly	14.72	14.72
	Total			14,309	170,851	82,387	2,694	7,010	277,251	15,461	170,651	82,387	2,694	7,010	278,203			
	Total consolidated			407,312	960,151	2,006,441	1,637,296	2,183,164	7,194,364	446,930	974,331	1,958,570	1,620,521	2,193,175	7,193,527			

Interest-bearing loans due in installments to December 31, 2018

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Loans to exporters																		
97.032.000-8	BBVA	Chile	US$	38,000	75,000	-	-	-	113,000	38,432	75,623	-	-	-	114,055	At Expiration	3.36	3.36
97.032.000-8	BBVA	Chile	UF	-	50,785	-	-	-	50,785	-	50,930	-	-	-	50,930	At Expiration	3.31	3.31
97.036.000-K	SANTANDER	Chile	US$	23,000	-	-	-	-	23,000	23,025	-	-	-	-	23,025	At Expiration	3.90	3.90
97.003.000-K	BANCO DO BRASIL	Chile	US$	200,000	-	-	-	-	200,000	200,698	-	-	-	-	200,698	At Expiration	3.64	3.64
97.951.000-4	HSBC	Chile	US$	12,000	-	-	-	-	12,000	12,013	-	-	-	-	12,013	At Expiration	3.14	3.14
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	5,461	16,385	16,385	-	-	38,231	5,480	16,385	16,232	-	-	38,097	Quarterly	3.35	3.35
0-E	BLADEX	U.S.A.	US$	-	15,000	-	-	-	15,000	-	14,964	-	-	-	14,964	Semiannual	6.74	6.74
97.036.000-K	SANTANDER	Chile	US$	-	-	102,521	-	-	102,521	223	-	102,521	-	-	102,744	Quarterly	5.60	5.60
76.362.099-9	BTG PACTUAL CHILE	Chile	UF	-	-	-	65,862	-	65,862	118	-	-	64,957	-	65,075	At Expiration	3.10	3.10
Obligations with the public																		
0-E	BANK OF NEW YORK	U.S.A.	US$	-	-	500,000	-	700,000	1,200,000	13,057	-	495,617	-	697,869	1,206,543	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	-	-	172,591	172,591	345,182	1,586	-	-	172,420	172,530	346,536	At Expiration	5.50	5.50
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US$	658	1,986	5,384	2,052	-	10,080	715	1,986	5,384	2,052	-	10,137	Quarterly	3.23	3.23
0-E	BNP PARIBAS	U.S.A.	US$	10,553	43,430	114,247	117,556	225,912	511,698	13,334	44,191	110,977	115,747	224,093	508,342	Quarterly	4.55	4.55
0-E	WILMINGTON TRUST	U.S.A.	US$	20,689	65,846	178,818	237,334	450,071	952,758	26,365	65,846	173,617	235,058	447,686	948,572	Quarterly	4.47	4.47
0-E	CITIBANK	U.S.A.	US$	10,776	32,790	90,991	72,189	62,619	269,365	11,923	32,790	86,130	70,048	61,203	262,094	Quarterly	3.82	2.93
0-E	US BANK	U.S.A.	US$	15,506	47,050	129,462	135,489	84,177	411,684	17,433	47,050	114,729	129,547	82,137	390,896	Quarterly	4.00	2.82
0-E	NATIXIS	France	US$	10,247	31,350	88,688	77,693	116,546	324,524	11,250	31,350	86,883	76,760	115,285	321,528	Quarterly	4.69	4.69
0-E	PK AIRFINANCE	U.S.A.	US$	2,319	7,208	24,944	3,144	-	37,615	2,387	7,208	24,944	3,144	-	37,683	Monthly	4.15	4.14
0-E	INVESTEC	England	US$	1,454	8,472	21,667	22,421	-	54,014	1,879	8,661	21,154	22,309	-	54,003	Semiannual	7.17	7.17
-	SWAP Received Aircraft	-	US$	194	414	158	-	-	766	194	414	158	-	-	766	Quarterly	-	-
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US$	-	-	253,692	-	-	253,692	2,646	-	252,207	-	-	254,853	At Expiration	4.11	4.11
0-E	DVB BANK SE	Germany	US$	23,417	70,626	191,207	117,084	19,731	422,065	23,871	70,626	188,231	116,185	19,686	418,599	Quarterly	4.42	4.42
Financial leases																		
0-E	ING	U.S.A.	US$	3,687	11,338	11,806	-	-	26,831	3,923	11,338	11,657	-	-	26,918	Quarterly	5.70	5.01
0-E	CREDIT AGRICOLE	France	US$	13,171	24,577	18,655	-	-	56,403	13,187	24,331	18,655	-	-	56,173	Quarterly	3.66	3.31
0-E	CITIBANK	U.S.A.	US$	13,209	40,365	77,587	40,997	-	172,158	13,998	40,365	75,830	40,801	-	170,994	Quarterly	4.40	3.80
0-E	PEFCO	U.S.A.	US$	5,486	13,094	3,827	-	-	22,407	5,641	13,094	3,743	-	-	22,478	Quarterly	5.64	5.02
0-E	BNP PARIBAS	U.S.A.	US$	7,926	29,494	22,147	-	-	59,567	8,320	29,493	21,891	-	-	59,704	Quarterly	3.90	3.58
0-E	WELLS FARGO	U.S.A.	US$	31,673	95,981	263,239	230,417	98,028	719,338	34,816	95,981	245,615	224,395	96,589	697,396	Quarterly	2.77	2.09
97.036.000-K	SANTANDER	Chile	US$	5,576	16,895	46,386	26,165	-	95,022	6,000	16,895	45,346	26,063	-	94,304	Quarterly	3.68	3.14
0-E	RRPF ENGINE	England	US$	552	2,531	7,142	7,752	5,035	23,012	552	2,531	7,142	7,752	5,035	23,012	Monthly	4.01	4.01
0-E	APPLE BANK	U.S.A.	US$	1,444	4,393	12,146	12,808	753	31,544	1,658	4,393	11,726	12,713	752	31,242	Quarterly	3.93	3.33
0-E	BTMU	U.S.A.	US$	2,933	8,916	24,635	25,937	768	63,189	3,199	8,916	23,798	25,751	767	62,431	Quarterly	4.06	3.46
0-E	NATIXIS	France	US$	10,056	7,951	5,154	-	-	23,161	10,135	7,952	5,154	-	-	23,241	Quarterly	4.28	4.12
0-E	KFW IPEX-BANK	Germany	US$	1,699	5,188	5,328	-	-	12,215	1,723	5,188	5,328	-	-	12,239	Quarterly	4.20	4.19
0-E	AIRBUS FINANCIAL	U.S.A.	US$	1,915	5,838	7,664	-	-	15,417	1,954	5,838	7,664	-	-	15,456	Monthly	4.19	4.19
Other loans																		
0-E	BOEING	U.S.A.	US$	-	-	55,727	-	-	55,727	-	1,229	55,727	-	-	56,956	At Expiration	4.01	4.01
0-E	CITIBANK (*)	U.S.A.	US$	23,167	72,018	101,026	-	-	196,211	23,583	72,018	100,301	-	-	195,902	Quarterly	6.00	6.00
	Total			496,768	804,921	2,380,633	1,367,491	1,936,231	6,986,044	535,318	807,586	2,318,361	1,345,702	1,923,632	6,930,599			

(*) Securitized bond with the future flows from the sales with credit card in United States and Canada, through the company Guanay Finance Limited.

Interest-bearing loans due in installments to December 31, 2018
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	138	426	1,233	54	-	1,851	147	426	1,233	54	-	1,860	Monthly	6.01	6.01
Financial leases																		
0-E	NATIXIS	France	US$	3,043	6,490	44,525	41,731	-	95,789	3,656	6,490	44,525	41,731	-	96,402	Quarterly/Semiannual	6.87	6.87
0-E	WACAPOU LEASING S.A.	Luxemburg	US$	728	2,219	6,280	-	-	9,227	756	2,219	6,280	-	-	9,255	Quarterly	4.81	4.81
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	9,422	28,872	169,930	-	-	208,224	10,212	28,871	169,730	-	-	208,813	Quarterly	5.88	5.82
0-E	GA Telessis LLC	U.S.A	US$	299	908	2,496	2,623	6,876	13,202	568	908	3,823	2,623	6,876	14,798	Quarterly	15.62	15.62
	Total			13,630	38,915	224,464	44,408	6,876	328,293	15,339	38,914	225,591	44,408	6,876	331,128			
	Total consolidated			510,398	843,836	2,605,097	1,411,899	1,943,107	7,314,337	550,657	846,500	2,543,952	1,390,110	1,930,508	7,261,727			

(b) Lease Liability:

The movement of the lease liabilities corresponding to the period reported is as follows:

	Aircraft	Others	Lease Liability total
	ThUS$	ThUS$	ThUS$
Opening balance as January 1, 2018 Restated	3,037,585	109,387	3,146,972
New contracts	283,620	36,191	319,811
Renegotiations	(240,047)	1,397	(238,650)
Payments	(526,071)	(30,316)	(556,387)
Accrued interest	174,327	8,623	182,950
Exchange differences	-	(5,667)	(5,667)
Other variations	8,395	625	9,020
Changes	(299,776)	10,853	(288,923)
Closing balance as of december 31,2018 Restated	2,737,809	120,240	2,858,049
Opening balance as January 1, 2019 Restated	2,737,809	120,240	2,858,049
New contracts	719,525	23,878	743,403
Renegotiations	(41,535)	12,208	(29,327)
Payments	(539,549)	(37,391)	(576,940)
Accrued interest	165,981	11,968	177,949
Exchange differences	-	1,614	1,614
Cumulative translation adjustment	-	(467)	(467)
Other variations	-	(2,124)	(2,124)
Changes	304,422	9,686	314,108
Closing balance as of December 31,2019 Restated	3,042,231	129,926	3,172,157

The company recognizes the interest payments related to the lease liabilities in the consolidated result under Financial expenses (See Note 27 (d)).

(c) Hedge derivatives

	Current liabilities		Non-current liabilities		Total hedge derivatives	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Accrued interest from the last date of interest rate swap	1,723	2,321	-	340	1,723	2,661
Fair value of interest rate derivatives	302	335	22	-	324	335
Fair value of fuel derivatives	-	15,678	-	-	-	15,678
Fair value of foreign currency derivatives	48,347	7,587	-	-	48,347	7,587
Total hedge derivatives	50,372	25,921	22	340	50,394	26,261

(d) Derivatives do not qualify for hedge accounting

	Current liabilities		Non-current liabilities		Total derivatives of no coverage	
	As of 31 December of 2019	As of 31 December of 2018	As of 31 December of 2019	As of 31 December of 2018	As of 31 December of 2019	As of 31 December of 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Derivative of foreign currency not registered as hedge	-	7,712	-	-	-	7,712
Total derived not qualify as hedge accounting	-	7,712	-	-	-	7,712

The foreign currency derivatives correspond to options, forwards and swaps.

Hedging operation

The fair values of net assets/ (liabilities), by type of derivative, of the contracts held as hedging instruments are presented below:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Cross currency swaps (CCS) (1)	(22,662)	15,099
Interest rate swaps (2)	2,618	(2,194)
Fuel options (3)	48,542	(15,811)
Currency options R$/US$ (4)	(41)	-

(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) They cover the exposure to foreign exchange risk of operating cash flows, mainly caused by the fluctuation of the CLP/US$, R$/US$, US$/EUR and US$/GBP exchange rate. These contracts are registered as cash flow hedge contracts.

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 12 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.

All hedging operations have been performed for highly probable transactions.

Since none of the coverage resulted in the recognition of a non-financial asset, no portion of the result of the derivatives recognized in equity was transferred to the initial value of such assets.

The amounts recognized in comprehensive income during the period and transferred from net equity to income are as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	ThUS$	ThUS$
Debit (credit) recognized in comprehensive income during the period	66,856	(27,797)
Debit (credit) transferred from net equity to income during the period	(30,074)	39,915

NOTE 20 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Current		
(a) Trade and other accounts payables	1,671,304	1,279,976
(b) Accrued liabilities at the reporting date	551,570	394,327
Total trade and other accounts payables	2,222,874	1,674,303

(a) Trade and other accounts payable:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Trade creditors	1,408,690	1,048,033
Other accounts payable	262,614	231,943
Total	1,671,304	1,279,976

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

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Aircraft Fuel	476,320	304,426
Boarding Fee	234,070	210,621
Suppliers technical purchases	145,973	75,402
Handling and ground handling	114,163	84,213
Other personnel expenses	93,490	92,047
Professional services and advisory	87,825	83,182
Airport charges and overflight	81,459	82,181
Air companies	79,958	59,524
Marketing	60,850	60,303
Services on board	59,647	44,434
Leases, maintenance and IT services	59,011	55,427
Achievement of goals	30,635	21,943
Maintenance	42,202	8,244
Crew	22,921	21,265
Land services	18,166	26,014
Jol Fleet	3,997	-
Aviation insurance	3,050	11,943
Others	57,567	38,807
Total trade and other accounts payables	1,671,304	1,279,976

(b) Liabilities accrued:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Aircraft and engine maintenance	292,793	170,731
Accrued personnel expenses	118,199	116,242
Accounts payable to personnel (*)	91,153	81,222
Others accrued liabilities (**)	49,425	26,132
Total accrued liabilities	551,570	394,327

(*) Profits and bonus participation (Note 23 letter b).

(**) See Note 22

NOTE 21 - OTHER PROVISIONS

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Provision for contingencies (1)						
Tax contingencies	2,033	2,982	164,190	197,038	166,223	200,020
Civil contingencies	2,202	1,207	66,605	59,834	68,807	61,041
Labor contingencies	971	605	26,505	23,244	27,476	23,849
Other	-	-	19,886	13,976	19,886	13,976
Provision for European Commission investigation (2)	-	-	9,217	9,403	9,217	9,403
Total other provisions (3)	5,206	4,794	286,403	303,495	291,609	308,289

(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 as of December 31, 2019, and December 31, 2018, 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, 2018	367,493	9,883	377,376
Increase in provisions	106,870	-	106,870
Provision used	(59,032)	-	(59,032)
Difference by subsidiaries conversion	(48,330)	-	(48,330)
Reversal of provision	(66,965)	-	(66,965)
Exchange difference	(1,150)	(480)	(1,630)
Closing balance as of December 31, 2018	298,886	9,403	308,289
Opening balance as of January 1, 2019	298,886	9,403	308,289
Increase in provisions	134,847	-	134,847
Provision used	(82,212)	-	(82,212)
Difference by subsidiaries conversion	(10,764)	-	(10,764)
Reversal of provision	(58,063)	-	(58,063)
Exchange difference	(302)	(186)	(488)
Closing balance as of December 31, 2019	282,392	9,217	291,609

(1) Cumulative balances include judicial deposit delivered as security, with respect to the "Aerovía Fundo" (FA), for US$ 88 million, made in order to suspend the application of the tax credit. The Company is discussing in the Court the constitutionality of the requirement made by FA in a lawsuit. Initially it was covered by the effects of a precautionary measure, this means that the Company would not be obliged to collect the tax, as long as there is no judicial decision in this regard. However, the decision taken by the judge in the first instance was published unfavorably, revoking the injunction. As the lawsuit is still underway (TAM appealed this first decision), the Company needed to make the judicial deposit, for the suspension of the enforceability of the tax credit; deposit that was classified in this item, discounting the existing provision for this purpose. Finally, if the final decision is favorable to the Company, the deposit made will return to TAM. On the other hand, if the court confirms the first decision, said deposit will become a final payment in favor of the Government of Brazil. The procedural stage as of December 31, 2019 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 December 31, 2019 is described in Note 31 in section (ii) judgments received by LATAM Airlines Group S.A. and Subsidiaries.

NOTE 22 - OTHER NON-FINANCIAL LIABILITIES

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Deferred revenues (1)(2)	2,689,083	2,330,058	851,383	644,702	3,540,466	2,974,760
Sales tax	2,556	12,726	-	-	2,556	12,726
Retentions	43,916	34,434	-	-	43,916	34,434
Others taxes	7,555	7,700	-	-	7,555	7,700
Dividends payable	57,129	54,580	-	-	57,129	54,580
Other sundry liabilities	34,982	15,248	-	-	34,982	15,248
Total other non-financial liabilities	2,835,221	2,454,746	851,383	644,702	3,686,604	3,099,448

Deferred Income Movement

		Deferred income						
	Initial balance	(1) Recognition	Use	Loyalty (accreditation and exchange)	Expiration of tickets	Adjustment application IAS 29, Argentina hyperinflation	Others provisions	Final balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2018	2,849,266	7,690,972	(8,230,750)	944,246	(284,730)	927	4,829	2,974,760
From January 1 to December 31, 2019	2,974,760	8,264,970	(7,703,011)	124,548	(156,435)	2,232	33,402	3,540,466

(1) The balance includes, mainly, deferred income for services not provided as of December 31, 2019 and December 31, 2018; and programs such as: LATAM Pass, LATAM Fidelidade and 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.

After the merger of Multiplus S.A. described in Note1, the Latam Fidelidade programs and the Multiplus coalition and loyalty program become part of the Latam Pass Brazil Program.

During 2018 the Company signed a renewal of the agreement with Banco Santander-Chile, which one extends its alliance in Chile to continue developing travel benefits to its respective clients during the next 7 years, and during 2019 signed a renewal of the agreement with Banco Crédito del Perú.

On September 26, 2019, the Company signed a framework agreement with Delta Air Lines, Inc, in which the latter agreed to pay ThUS $ 350,000 for compensation of costs and revenues that the Company must incur or cease to receive, respectively, during the transition period until the implementation of the strategic alliance. ThUS $ 150,000 was received on september 2019.

During December 2019, the Company sold its rights to receive future payments of the committed transition. The payments consisted of ThUS $ 200,000 payable in 8 quarterly installments of ThUS $ 25,000 as of January 2, 2020. On December 13, 2019, the Company received ThUS $ 194,068 for said sale. Account receivable was derecognized and ThU S 5,932 was recognized as financial cost on income statement.

(2) As of December 31, 2019, Deferred Income includes ThUS $ 315,225 corresponding to the balance due from the compensation committed from Delta Airlines Inc., which will be recognized in income, on a systematic basis over the period in which related cost it intends to compensate, until the implementation of the strategic alliance. During the year, the Company recognized ThUS $ 4,435 for this concept.

Additionally, the Company maintains a balance of ThUS $ 30,340 in the Commercial accounts payable item of the Statement of Financial Position regarding to Delta compensation, the cost already incurred.

NOTE 23 - EMPLOYEE BENEFITS

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Retirements payments	64,824	56,126
Resignation payments	9,722	8,802
Other obligations	19,024	17,437
Total liability for employee benefits	93,570	82,365

(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 December 31, 2018	101,087	(7,384)	(6,018)	5,819	(11,139)	82,365
From January 1 to December 31, 2019	82,365	11,242	(4,390)	10,636	(6,283)	93,570

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

Assumptions	For the period ended December 31, 2019	2018
Discount rate	3.13%	4.27%
Expected rate of salary increase	4.5%	4.50%
Rate of turnover	6.04%	6.60%
Mortality rate	RV-2014	RV-2014
Inflation rate	2.8%	2.7%
Retirement age of women	60	60
Retirement age of men	65	65

The discount rate corresponds to the 20-year term rate of the BCP Central Bank of Chile Bonds. The RV-2014 mortality tables correspond to those established by the Commission for the Financial Market of Chile and for the determination of the inflation rates; the market performance curves of Central Bank of Chile papers of the BCUs have been used. BCP long term at the date of scope.

The calculation of the present value of the defined benefit obligation is sensitive to the variation of some actuarial assumptions such as discount rate, salary increase, rotation and inflation.

The sensitivity analysis for these variables is presented below:

	Effect on the liability As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Discount rate		
Change in the accrued liability an closing for increase in 100 p.b.	(7,257)	(6,538)
Change in the accrued liability an closing for decrease of 100 p.b.	5,365	4,918
Rate of wage growth		
Change in the accrued liability an closing for increase in 100 p.b.	4,989	4,750
Change in the accrued liability an closing for decrease of 100 p.b.	(7,159)	(6,547)

(b) The liability for short-term:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$
Profit-sharing and bonuses (*)	91,153	81,222

(*) Accounts payables to employees (Note 20 letter b)

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

(c) Employment expenses are detailed below:

	For the year ended December 31, 2019	2018
	ThUS$	ThUS$
Salaries and wages	1,478,804	1,481,357
Short-term employee benefits	147,576	132,394
Termination benefits	54,256	54,007
Other personnel expenses	114,126	152,211
Total	1,794,762	1,819,969

NOTE 24 - ACCOUNTS PAYABLE, NON-CURRENT

	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Aircraft and engine maintenance	412,710	513,544
Fleet (JOL)	190,225	-
Provision for vacations and bonuses	15,868	15,357
Other sundry liabilities	307	376
Total accounts payable, non-current	619,110	529,277

NOTE 25 - EQUITY

(a) Capital

The Company's objective is to maintain an appropriate level of capitalization that enables it to ensure access to the financial markets for carrying out its medium and long-term objectives, optimizing the return for its shareholders and maintaining a solid financial position.

The paid capital of the Company at December 31, 2019 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, 2018), a single series nominative, ordinary character with no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

(*) Includes deduction of issuance costs for ThUS $ 3,299 and adjustment for placement of 10,282 shares for ThUS $ 156, approved at the Extraordinary Shareholders Meeting of the Company on April 27, 2017.

(b) Subscribed and paid shares

On August 18, 2016, the Company held an extraordinary shareholders' meeting at which it was approved to increase the capital by issuing 61,316,424 payment shares, all ordinary, without par value. As of December 31, 2016, 60,849,592 shares had been placed against said increase, according to the following breakdown: (a) 30,499,685 shares subscribed and paid at the end of the pre-emptive option period, which expired on December 23, 2016; December 2016, collecting the equivalent of US $ 304,996,850; and (b) 30,349,907 additional shares subscribed on December 28, 2016, collecting the equivalent of US $ 303,499,070. Due to this last described placement, as of December 31, 2019, the number of subscribed and paid shares of the Company reached 606,407,693. On August 18, 2019, there was a full reduction of capital after the expiration of the three-year legal term to subscribe the balance of 466,832 shares depending on the placement of this capital increase. Consequently, at December 31, 2019 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. The following table shows the movement of authorized and fully paid shares previously described above:

Movement of authorized shares Nro. Of shares	Opening balance	Expired shares intended for compensation plans and others	Closing balance
From July 1 to December 31, 2018	608,374,525	(1,500,000) (*)	606,874,525
From July 1 to December 31, 2019	606,874,525	(466,832)	606,407,693

(*) On June 11, 2018, the term of subscription and payment of 1,500,000 shares to create and implement compensation plans for Company employees expired.

Movement fully paid shares	N° of shares	Movement value of shares (1) ThUS$	Cost of issuance and placement of shares (2) ThUS$	Paid- in Capital ThUS$
Paid shares as of January 1, 2018	606,407,693	3,160,718	(14,453)	3,146,265
There are no movements of shares paid during the 2018 period	-	-	-	-
Paid shares as of December 31, 2018	606,407,693	3,160,718	(14,453)	3,146,265
Paid shares as of January 1, 2019	606,407,693	3,160,718	(14,453)	3,146,265
There are no movements of shares paid during the 2019 period	-	-	-	-
Paid shares as of December 31, 2019	606,407,693	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.

(c) Treasury stock

At December 31, 2019, 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	Stock option plan	Closing balance
	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2018	39,481	(1,607)	37,874
From January 1 to December 31, 2019	37,874	(1,585)	36,289

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	Transactions with minorities	Legal reserves	Closing balance
	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2018	2,639,780	-	(864)	2,638,916
From January 1 to December 31, 2019	2,638,916	(184,135)	(2,312)	2,452,469

Balance of Other sundry reserves comprise the following:

	As of December 31, 2019	As of December 31, 2018
	ThUS$	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)	(210,048)	(25,913)
Others	(5,795)	(3,483)
Total	2,452,469	2,638,916

(1) Corresponds to the difference between the value of the shares of TAM S.A., acquired by Sister Holdco S.A. (under the Subscriptions) and by Holdco II S.A. (by virtue of the Exchange Offer), which is recorded in the declaration of completion of the merger by absorption, and the fair value of the shares exchanged by LATAM Airlines Group S.A. as of June 22, 2012.

(2) Corresponds to the technical revaluation of the fixed assets authorized by the Commission for the Financial Market in the year 1979, in Circular No. 1529. The revaluation was optional and could be made only once; the originated reserve is not distributable and can only be capitalized.

(3) The balance as of December 31, 2019 corresponds to the loss generated by: Lan Pax Group S.A. e Inversiones Lan S.A. in the acquisition of shares of Aerovías de Integración Regional Aires

S.A. for ThUS $ (3,480) and ThUS $ (20), respectively; the acquisition of TAM S.A. of the minority interest in Aerolinhas Brasileiras S.A. for ThUS $ (885), the acquisition of Inversiones Lan S.A. of the minority participation in Aires Integra Regional Airlines S.A. for an amount of ThUS $ (2) and the acquisition of a minority stake in Aerolane S.A. by Lan Pax Group S.A. for an amount of ThUS $ (21,526) through Holdco Ecuador S.A. The loss due to the acquisition of the minority interest of Multiplus S.A. for ThUS $ (184.135) (see Note 1).

(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, 2018	(2,131,591)	18,140	(10,926)	(2,124,377)
Increase (decrease) by application of new accounting standards	205,877	-	-	205,877
Initial balance Restated	(1,925,714)	18,140	(10,926)	(1,918,500)
Derivatives valuation gains (losses)	-	(26,899)	-	(26,899)
Deferred tax	-	(574)	-	(574)
Actuarial reserves by employee benefit plans	-	-	(5,818)	(5,818)
Deferred tax actuarial IAS by employee benefit plans	-	-	1,566	1,566
Translation difference subsidiaries	(730,930)	-	-	(730,930)
Closing balance as of December 31, 2018 Restated	(2,656,644)	(9,333)	(15,178)	(2,681,155)
Opening balance as of January 1, 2019	(2,656,644)	(9,333)	(15,178)	(2,681,155)
Derivatives valuation gains (losses)	-	65,880	-	65,880
Deferred tax	-	345	-	345
Actuarial reserves by employee benefit plans	-	-	(10,635)	(10,635)
Deferred tax actuarial IAS by employee benefit plans	-	-	2,873	2,873
Translation difference subsidiaries	(233,643)	-	-	(233,643)
Closing balance as of December 31, 2019	(2,890,287)	56,892	(22,940)	(2,856,335)

(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	Increase (decrease) by new standards (1)	Result for the period	Dividends	Other increase (decreases) (1) (2)	Closing balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2018 (Restated)	475,118	(516,130)	309,811	(54,580)	4,752	218,971
From January 1 to December 31, 2019	218,971	-	190,430	(57,129)	-	352,272

(1) Adjustments adoption IFRS 9 and IFRS 15 ThUS (9,548) and IFRS 16 ThUS (506.582) (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 2019	Minimum mandatory dividend 2018
Date of dividend	12-31-2019	12-31-2018
Amount of the dividend (ThUS$)	57,129	54,580
Number of shares among which the dividend is distributed	606,407,693	606,407,693
Dividend per share (US$)	0.0942	0.0900

NOTE 26 - REVENUE

The detail of revenues is as follows:

	For the year ended December 31, 2019	2018
	ThUS$	ThUS$
Passengers	9,005,629	8,708,988
Cargo	1,064,434	1,186,468
Total	10,070,063	9,895,456

NOTE 27 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the year ended December 31, 2019	2018
	ThUS$	ThUS$
Aircraft fuel	2,929,008	2,983,028
Other rentals and landing fees (*)	1,275,859	1,206,881
Aircraft maintenance	444,611	366,627
Comisions	221,884	222,506
Passenger services	261,330	280,279
Other operating expenses	1,291,895	1,229,311
Total	6,424,587	6,288,632

(*) Lease expenses are included within this amount (See Note 2.21)

96

	For the period ended December 31, 2019 ThUS$	2018 ThUS$ Restated
Payments for leases of low-value assets	31,982	27,929
Total	31,982	27,929

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the year ended December 31, 2019 ThUS$	2018 ThUS$
Depreciation (*)	1,389,465	1,307,032
Amortization	80,511	65,596
Total	1,469,976	1,372,628

(*) Included within this amount is the depreciation of the Properties, plants and equipment (See Note 17 (a)) and the maintenance of the aircraft recognized as assets by right of use. The maintenance cost amount included in the depreciation line for the period ended December 31, 2019 is ThUS $ 445,680 and ThUS $ 366,393 for the same period 2018.

(c) Personnel expenses

The costs for personnel expenses are disclosed in Note 23 liability for employee benefits.

(d) Financial costs

The detail of financial costs is as follows:

	For the year ended December 31, 2019 ThUS$	2018 ThUS$
Bank loan interest	325,650	283,786
Financial leases	61,980	62,202
Lease liabilities	181,814	182,868
Other financial instruments	20,490	10,281
Total	589,934	539,137

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.

97

NOTE 28 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the year ended December 31, 2019 ThUS$	2018 ThUS$
Coalition and loyalty program Multiplus (*)	36,172	126,443
Tours	96,997	108,448
Aircraft leasing	102,704	78,056
Customs and warehousing	29,353	26,667
Duty free	543	3,555
Maintenance	10,471	16,569
Other miscellaneous income	84,624	113,020
Total	360,864	472,758

(*) See Note 22.

98

NOTE 29 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

The functional currency of LATAM Airlines Group S.A. is the US dollar, also it has subsidiaries whose functional currency is different to the US dollar, such as the chilean peso, argentine peso, colombian peso, brazilian real and guaraní.

The functional currency is defined as the currency of the primary economic environment in which an entity operates and in each entity and all other currencies are defined as foreign currency.

Considering the above, the balances by currency mentioned in this Note correspond to the sum of foreign currency of each of the entities that make LATAM Airlines Group S.A. and Subsidiaries.

(a) Foreign currency

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

Current assets	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Cash and cash equivalents	242,624	606,673
Argentine peso	10,974	4,236
Brazilian real	9,407	34,360
Chilean peso	50,421	415,399
Colombian peso	5,971	2,732
Euro	21,927	20,339
U.S. dollar	77,933	51,382
Other currency	65,991	78,225
Other financial assets, current	47,328	57,132
Argentine peso	7	11
Brazilian real	17,395	25,829
Chilean peso	26,008	25,904
Colombian peso	138	139
U.S. dollar	2,795	4,923
Other currency	985	326

99

Current assets	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Other non - financial assets, current	81,521	106,952
Argentine peso	11,263	13,077
Brazilian real	20,553	37,794
Chilean peso	24,451	30,916
Colombian peso	61	434
Euro	2,878	3,935
U.S. dollar	5,140	8,949
Other currency	17,175	11,847
Trade and other accounts receivable, current	501,006	518,006
Argentine peso	22,809	54,053
Brazilian real	1,457	6,037
Chilean peso	125,342	112,133
Colombian peso	545	5,065
Euro	32,711	49,044
U.S. dollar	257,421	2,938
Other currency	60,721	288,736
Accounts receivable from related entities, current	537	593
Chilean peso	42	200
U.S. dollar	495	393
Tax current assets	19,506	20,774
Argentine peso	1,560	812
Brazilian real	1,006	1,106
Chilean peso	1,111	4,860
Colombian peso	54	5
Euro	264	-
U.S. dollar	-	429
Peruvian sun	13,707	13,306
Other currency	1,804	256
Total current assets	892,522	1,310,130
Argentine peso	46,613	72,189
Brazilian real	49,818	105,126
Chilean peso	227,375	589,412
Colombian peso	6,769	8,375
Euro	57,780	73,318
U.S. Dollar	343,784	69,014
Other currency	160,383	392,696

Non-current assets	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Other financial assets, non-current	10,243	21,850
Brazilian real	4,441	4,941
Chilean peso	65	68
Colombian peso	296	145
Euro	1,525	7,438
U.S. dollar	2,169	7,441
Other currency	1,747	1,817
Other non - financial assets, non-current	29,166	31,126
Argentine peso	54	86
Brazilian real	7,891	7,465
U.S. dollar	3	3
Other currency	21,218	23,572
Accounts receivable, non-current	4,722	5,378
Chilean peso	4,722	5,378
Deferred tax assets	3,339	2,102
Colombian peso	487	78
U.S. dollar	856	29
Other currency	1,996	1,995
Total non-current assets	47,470	60,456
Argentine peso	54	86
Brazilian real	12,332	12,406
Chilean peso	4,787	5,446
Colombian peso	783	223
Euro	1,525	7,438
U.S. dollar	3,028	7,473
Other currency	24,961	27,384

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

	Up to 90 days		91 days to 1 year	
Current liabilities	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Other financial liabilities, current	69,623	63,920	210,627	107,815
Argentine peso	1	3	2	-
Brazilian real	128	261	118	-
Chilean peso	42,625	41,694	15,229	68,901
Euro	145	704	339	-
U.S. dollar	26,676	16,773	194,896	38,914
Other currency	48	4,485	43	-
Trade and other accounts payables, current	1,338,123	970,872	10,091	37,809
Argentine peso	252,799	229,907	1,096	6,142
Brazilian real	59,837	30,974	320	1,152
Chilean peso	322,996	198,766	1,295	26,113
Colombian peso	2,558	7,915	868	752
Euro	113,733	84,903	484	1,375
U.S. dollar	480,129	325,385	4,263	55
Peruvian sol	24,197	37,285	1,447	1,124
Mexican peso	5,233	5,975	33	167
Pound sterling	20,289	13,395	119	305
Uruguayan peso	1,018	847	29	-
Other currency	55,334	35,520	137	624
Accounts payable to related entities, current	53	365	-	-
Chilean peso	53	253	-	-
U.S. dollar	-	112	-	-
Other provisions, current	2,079	1,434	-	-
Chilean peso	27	28	-	-
Other currency	2,052	1,406	-	-
Tax liabilities, current	-	13	-	-
Argentine peso	-	4	-	-
Brazilian real	-	-	-	-
Chilean peso	-	9	-	-

Current liabilities	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS$	ThUS$	ThUS$	ThUS$
Other non-financial liabilities, current	19,335	38,120	-	-
Argentine peso	348	1,089	-	-
Brazilian real	1,537	1,455	-	-
Chilean peso	705	14,130	-	-
Colombian peso	3,059	1,009	-	-
Euro	3,133	4,411	-	-
U.S. dollar	4,531	10,468	-	-
Other currency	6,022	5,558	-	-
Total current liabilities	1,429,213	1,074,724	220,718	145,624
Argentine peso	253,148	231,003	1,098	6,142
Brazilian real	61,502	32,690	438	1,152
Chilean peso	366,406	254,880	16,524	95,014
Colombian peso	5,617	8,924	868	752
Euro	117,011	90,018	823	1,375
U.S. dollar	511,336	352,738	199,159	38,969
Other currency	114,193	104,471	1,808	2,220

103

Non-current liabilities	More than 1 to 3 years As of December 31, 2019 ThUS$	More than 1 to 3 years As of December 31, 2018 ThUS$	More than 3 to 5 years As of December 31, 2019 ThUS$	More than 3 to 5 years As of December 31, 2018 ThUS$	More than 5 years As of December 31, 2019 ThUS$	More than 5 years As of December 31, 2018 ThUS$
Other financial liabilities, non-current	366,889	299,735	12,915	281,785	376,535	179,406
Chilean peso	236,346	16,259	2,291	237,377	369,525	172,530
Brazillian real	700	948	40	-	-	-
Euro	550	296	141	-	-	-
U.S. dollar	128,820	280,197	10,308	44,408	7,010	6,876
Other currency	473	2,035	135	-	-	-
Accounts payable, non-current	151,254	294,704	-	-	-	-
Chilean peso	14,367	14,027	-	-	-	-
U.S. dollar	135,541	279,437	-	-	-	-
Other currency	1,346	1,240	-	-	-	-
Other provisions, non-current	36,615	36,120	-	-	-	-
Argentine peso	485	542	-	-	-	-
Brazillian real	20,538	19,815	-	-	-	-
Colombian peso	281	295	-	-	-	-
Euro	9,217	9,403	-	-	-	-
U.S. dollar	6,094	6,065	-	-	-	-
Provisions for employees benefits, non-current	80,628	72,674	-	-	-	-
Chilean peso	80,628	72,187	-	-	-	-
U.S. dollar	-	487	-	-	-	-
Total non-current liabilities	635,386	703,233	12,915	281,785	376,535	179,406
Argentine peso	485	542	-	-	-	-
Brazilian real	21,238	20,763	40	-	-	-
Chilean peso	331,341	102,473	2,291	237,377	369,525	172,530
Colombian peso	281	295	-	-	-	-
Euro	9,767	9,699	141	-	-	-
U.S. dollar	270,455	566,186	10,308	44,408	7,010	6,876
Other currency	1,819	3,275	135	-	-	-

General summary of foreign currency:	As of December 31, 2019 ThUS$	As of December 31, 2018 ThUS$
Total assets	939,992	1,370,586
Argentine peso	46,667	72,275
Brazilian real	62,150	117,532
Chilean peso	232,162	594,858
Colombian peso	7,552	8,598
Euro	59,305	80,756
U.S. dollar	346,812	76,487
Other currency	185,344	420,080
Total liabilities	2,674,767	2,446,785
Argentine peso	254,731	237,687
Brazilian real	83,218	54,605
Chilean peso	1,086,087	862,274
Colombian peso	6,766	9,971
Euro	127,742	101,092
U.S. dollar	998,268	1,071,190
Other currency	117,955	109,966
Net position		
Argentine peso	(208,064)	(165,412)
Brazilian real	(21,068)	62,927
Chilean peso	(853,925)	(267,416)
Colombian peso	786	(1,373)
Euro	(68,437)	(20,336)
U.S. dollar	(651,456)	(994,703)
Other currency	67,389	310,114

(b) Exchange differences

The exchange differences recognized in profit or loss, except for financial instruments measured at fair value through profit or loss, for the period ended December 31, 2019 and 2018, meant a charge of ThUS $ 32,571 and ThUS $ 38,070, respectively.

The exchange differences recognized in the statement of comprehensive income as reserves for exchange differences for conversion, for the period ended December 31, 2019 and 2018, meant a charge of ThUS $ 243,271 and ThUS $ 743,516, respectively.

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

	As of December 31, 2019	As of December 31, 2018	2017	2016
Argentine peso	59.83	37.74	18.57	15.84
Brazilian real	4.01	3.87	3.31	3.25
Chilean peso	748.74	694.77	614.75	669.47
Colombian peso	3,271.55	3,239.45	2,984.77	3,000.25
Euro	0.89	0.87	0.83	0.95
Australian dollar	1.43	1.42	1.28	1.38
Boliviano	6.86	6.86	6.86	6.86
Mexican peso	18.89	19.68	19.66	20.63
New Zealand dollar	1.49	1.49	1.41	1.44
Peruvian Sol	3.31	3.37	3.24	3.35
Uruguayan peso	37.24	32.38	28.74	29.28

NOTE 30 - EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share	For the year ended December 31, 2019	2018 Restated
Earnings / (loss) attributable to owners of the parent (ThUS$)	190,430	309,811
Weighted average number of shares, basic	606,407,693	606,407,693
Basic earnings / (loss) per share (US$)	0.31403	0.51090

Diluted earnings / (loss) per share	For the year ended December 31, 2019	2018 Restated
Earnings / (loss) attributable to owners of the parent (ThUS$)	190,430	309,811
Weighted average number of shares, basic	606,407,693	606,407,693
Weighted average number of shares, diluted	606,407,693	606,407,693
Diluted earnings / (loss) per share (US$)	0.31403	0.51090

NOTE 31 – CONTINGENCIES

I. Lawsuits

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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Tam Viagens S.A.	Fazenda Pública do Município de São Paulo.	1004194-37.2018.8.26.0053	This is a voidance action appealing the charges for violations and fines (67.168.795 / 67.168.833 / 67.168.884 / 67.168.906 / 67.168.914 / 67.168.965). We are arguing that numbers are missing from the ISS calculation base since the company supposedly made improper deductions.	The lawsuit was assigned on January 31, 2018. That same day, a decision was rendered suspending the charges without any bond. The municipality filed an appeal against this decision on April 30, 2018. A decision was rendered on November 11, 2019 fully in favor of Tam Viagens S.A. We are waiting to see if the Municipality files an appeal.	95,216

108

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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.		Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26, 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight.	On April 14, 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011. On May 11, 2015, we attended a hearing at which we petitioned for the vacation of the Decision based on discrepancies in the Decision between the operating section, which mentions four infringements (depending on the routes involved) but refers to Lan in only one of those four routes; and the ruling section (which mentions one single conjoint infraction). On November 9, 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$ 9,217 (8,220,000 Euros) This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. On December 16, 2015, the European Court of Justice revoked the Commission's decision because of discrepancies. The European Commission did not appeal the decision, but presented a new one on March 17, 2017 reiterating the imposition of the same fine on the eleven original airlines. The fine totals 776,465,000 Euros. It imposed the same fine as before on Lan Cargo and its parent, LATAM Airlines Group S.A., totaling 8.2 million Euros. On May 31, 2017 Lan Cargo S.A. and LATAM Airlines Group S.A. filed a petition with the General Court of the European Union seeking vacation of this decision. We presented our defense in December 2017. On July 12, 2019, we attended a hearing before the European Court of Justice to confirm our petition for vacation of judgment or otherwise, a reduction in the amount of the fine. LATAM AIRLINES GROUP, S.A. expects that the ruling by the General Court of the European Union may reduce the amount of this fine.	9,217

109

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery División (England) Ovre Romerike District Court (Norway) y Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands), Cologne Regional Court (Landgerich Köln Germany).		Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway, the Netherlands and Germany.	Cases are in the uncovering evidence stage. In the case in England, mediation was held with nearly all the airlines involved in the aim of attempting to reach an agreement. It began in September, and LATAM Airlines Group S.A. reached an agreement for approximately GBP 636,000. A settlement was signed in December 2018 and payment was made in January 2019. This lawsuit ended for all plaintiffs in the class action, except for one who signed a settlement for approximately GBP 222,469.63 in December 2019. The payment will be made in January 2020, which will put an end to the entire lawsuit in England. The amount remains undetermined for the lawsuits in the remaining countries (Norway, the Netherlands and Germany).	-0-
Aerolinhas Brasileiras S.A.	Federal Justice.	0008285-53.2015.403.6105	An action seeking to quash a decision and petioning for early protection in order to obgain a revocation of the penalty imposed by the Brazilian Competition Authority (CADE) in the investigation of cargo airlines alleged fair trade violations, in particular the fuel surcharge.	This action was filed by presenting a guaranty – policy – in order to suspend the effects of the CADE's decision regarding the payment of the following fines: (i) ABSA:ThUS$10,438; (ii) Norberto Jochmann: ThUS$201; (iii) Hernan Merino: ThUS$ 102; (iv) Felipe Meyer :ThUS$ 102. The action also deals with the affirmative obligation required by the CADE consisting of the duty to publish the condemnation in a widely circulating newspaper. This obligation had also been stayed by the court of federal justice in this process. Awaiting CADE's statement. ABSA began a judicial review in search of an additional reduction in the fine amount. The Judge's decision was published on March 12, 2019, and we filed an appeal against it on March 13, 2019	10,403
Aerolinhas Brasileiras S.A.	Federal Justice.	0001872-58.2014.4.03.6105	An annulment action with a motion for preliminary injunction, was filed on 02/28/2014, 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 new insurance policy was submitted on March 30, 2016 with the change to the guarantee requested by PGFN. On 05/20/2016 the process was sent to PGFN, which was manifested on 06/03/2016. A decision is pending	14,061

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) 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. The Brazilian Administrative Council of Tax Appeals (CARF) issued a decision in favor of the Company on September 22, 2018. We are currently expecting that the Ministry of Finance of Brazil will appeal.	59,481
Tam Linhas Aéreas S.A.	Court of the Second Region.	2001.51.01.012530-0	Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to collect the Air Fund.	Unfavorable court decision in first instance. Currently expecting the ruling on the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered for THUS$106. The court decision requesting that the Expert make all clarifications requested by the parties in a period of 30 days was published on March 29, 2016. The plaintiffs' submitted a petition on June 21, 2016 requesting acceptance of the opinion of their consultant and an urgent ruling on the dispute. No amount additional to the deposit that has already been made is required if this case is lost.	87,538
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil.	10880.725950/2011-05	Compensation credits of the Social Integration Program (PIS) and Contribution for Social Security Financing (COFINS) Declared on DCOMPs.	The objection (manifestação de inconformidade) filed by the company was rejected, which is why the voluntary appeal was filed. The case was assigned to the 1st Ordinary Group of Brazil's Administrative Council of Tax Appeals (CARF) on June 8, 2015. TAM's appeal was included in the CARF session held August 25, 2016. An agreement that converted the proceedings into a formal case was published on October 7, 2016. The amount has been reduced after some set-offs were approved by the Department of Federal Revenue of Brazil.	26,293

111

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Aerovías de Integración Regional, AIRES S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A. 45th Civil Court of the Bogota Circuit in Colombia.	2013-20319 CA 01	The July 30, 2012 Aerovías de Integración Recional, Aires S.A. (LATAM AIRLINES COLOMBIA) initiated a legal process in Colombia against Regional One INC and Volvo Aero Services LLC, to declare that these companies are civilly liable for moral and material damages caused to LATAM AIRLINES COLOMBIA arising from breach of contractual obligations of the aircraft HK-4107. The June 20, 2013 AIRES SA and / Or LATAM AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LATAM AIRLINES GROUP S.A. customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.	Colombia. 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 October 31, 2018. The court received the expert opinions requested by REGIONAL ONE and VAS and given their petition, it asked the experts to expand upon their opinions. It also changed the experts requested by LATAM AIRLINES COLOMBIA. The case was brought before the Court on September 10, 2018 and these rulings are pending processing so that a new hearing can be scheduled. On October 31, 2018, the judge postponed the deadline for the parties to answer the objection because of a serious error brought to light by VAS regarding the translation submitted by the expert. The process has been in the judge's chambers since March 11, 2019 to decide on replacing the damage estimation expert as requested by LATAM AIRLINES COLOMBIA. The one previously appointed did not take office. A petition has also been made by VAS objecting to the translation of the documents in English into Spanish due to serious mistakes, which was served to the parties in October 2018. The 45th Civil Circuit Court issued an order on August 13, 2019 that did not decide on the pending matters but rather voided all actions since September 14, 2018 and ordered the case to be referred to the 46th Civil Circuit Court according to article 121 of the General Code of Procedure. Said article says that court decisions must be rendered in no more than one (1) year as from the service of the court order admitting the claim. If that period expires without any ruling being issued, the Judge will automatically forfeit competence over the proceedings and must give the Administrative Room of the Superior Council of the Judiciary notice of that fact the next day, in addition to referring the case file to the next sitting judge in line, who will have competence and will issue a ruling in no more than 6 months. The case was sent to the 46th Civil Circuit Court on September 4, 2019, which claims that there was a competence conflict and then sent the case to the Superior Court of Bogotá to decide which court, the 45th or 46th, had to continue with the case. Florida. On June 4, 2019, the State Court of Florida allowed REGIONAL ONE to add a new claim against LATAM AIRLINES COLOMBIA for default on a verbal contract. Given the new claim, LATAM AIRLINES COLOMBIA petitioned that the Court postpone the trial to August 2019 to have the time to investigate the facts alleged by REGIONAL ONE to prove a verbal contract. The State Court granted the postponement of a jury trial to June 2020. In the meantime, the discovery stage continues, including verbal statements by experts on behalf of both parties. There may be some change in the committed amount, which will be reported in due course.	12,443

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.722.355/ 2014-52	On August 19, 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.	An administrative objection was filed on September 17, 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 September 9, 2016, the case was referred to the Second Division, Fourth Chamber, of the Third Section of the Administrative Council of Tax Appeals (CARF).	65,895
TAM Linhas Aéreas S.A.	Sao Paulo Labor Court, Sao Paulo	1001531-73.2016.5.02.0 710	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. We were served the decision completely dismissing the claim in March 2019, against which the plaintiff has filed an appeal. We are now awaiting the hearing by the Court of Appeals.	17,982
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. Arguments were pled before the Santiago Court of Appeals on April 23, 2019, and on April 30, 2019, this Court confirmed the ruling of the trial court absolving LATAM. The losing party was ordered to pay costs in both cases. On May 18, 2019, Inversiones Ranco Tres S.A. filed a remedy of vacation of judgment based on technicalities and on substance against the Appellate Court decision. The Appellate Court admitted both appeals on May 29, 2019 and the appeals are pending a hearing by the Supreme Court.	17,705

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A.	10th Jurisdiction of Federal Tax Enforcement of Sao Paulo	0061196-68.2016.4.03.6182	Tax Enforcement Lien No. 0020869-47.2017.4.03.6182 on Profit-Based Social Contributions from 2004 to 2007.	This tax enforcement was referred to the 10th Federal Jurisdiction on February 16, 2017. A petition reporting our request to submit collateral was recorded on April 18, 2017. At this time, the period is pending for the plaintiff to respond to our petition. The bond was replaced. We are waiting for the evidentiary period to begin.	39,584
TAM Linhas Aéreas S.A.	Department of Federal Revenue of Brazil	5002912.29.2019.4.03.6100	A lawsuit disputing the debit in the administrative proceeding 16643.000085/2009-47, reported in previous Notes, consisting of a notice demanding recovery of the Income and Social Assessment Tax on the net profit (SCL) resulting from the itemization of royalties and use of the TAM trademark	The lawsuit was assigned on February 28, 2019. A decision was rendered on March 1, 2019 stating that no guarantee was required. A final decision is now pending.	11,139
TAM Linhas Aéreas S.A.	DERAT SPO (Delegacía de Receita Federal)	13808.005459/2001-45	Collection of the Social Security Funding Contribution (COFINS) based on gross revenue of the company in the period 1999-2000.	The decision on collection was pending through June 2, 2010.	23,228
TAM Linhas Aéreas S.A	Delegacía de Receita Federal	10611.720630/2017-16	This is an administrative claim about a fine for the incorrectness of an import declaration (new lawsuit).	The administrative defensive arguments were presented September 28, 2017. The Court dismissed the Company's appeal in August 2019. Then on September 17, 2019, Company filed a special appeal (CRSF (Higher Tax Appeals Chamber)) that is pending a decision.	20,410
TAM Linhas Aéreas S.A	Delegacía de Receita Federal	10611.720852/2016-58	An improper charge of the Contribution for the Financing of Social Security (COFINS) on an import (new lawsuit).	We are currently awaiting a decision. There is no predictable decision date because it depends on the court of the government agency.	14,631
TAM Linhas Aéreas S.A	Delegacía de Receita Federal	16692.721.933/2017-80	The Internal Revenue Service of Brazil issued a notice of violation because TAM applied for credits offsetting the contributions for the Social Integration Program (PIS) and the Social Security Funding Contribution (COFINS) that do not bear a direct relationship to air transport.	An administrative defense was presented on May 29, 2018.	31,381
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.	63,951

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S/A	União Federal	2001.51.01.02 0420-0	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	-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.	17,202
TAM Linhas Aéreas S/A	Department of Federal Revenue of Brazil	19515-720.823/2018-11	An administrative claim to collect alleged differences in SAT payments for the periods 11/2013 to 12/2017.	A defense was presented on November 28, 2018. The Court dismissed the Company’s appeal in August 2019. Then on September 17, 2019, Company filed a voluntary appeal (CRSF (Administrative Tax Appeals Board)) that is pending a decision.	120,551
TAM Linhas Aéreas S/A	Department of Federal Revenue of Brazil	10880.938832 /2013-19	The decision denied the reallocation petition and did not equate the Social Security Tax (COFINS) credit declarations for the second quarter of 2011, which were determined to be in the non-cumulative system	An administrative defense was argued on March 19, 2019. The decision is pending.	16,108
TAM Linhas Aéreas S/A	Department of Federal Revenue of Brazil	10880.938834 /2013-16	The decision denied the reallocation petition and did not equate the Social Security Tax (COFINS) credit declarations for the third quarter of 2011, which were determined to be in the non-cumulative system.	An administrative defense was argued on March 19, 2019. The decision is pending.	11,777
TAM Linhas Aéreas S/A	Department of Federal Revenue of Brazil	10880.938837 /2013-41	The decision denied the reallocation petition and did not equate the Social Security Tax (COFINS) credit declarations for the fourth quarter of 2011, which were determined to be in the non-cumulative system.	An administrative defense was argued on March 19, 2019. The decision is pending.	15,782

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S/A	Department of Federal Revenue of Brazil	10880.938838 /2013-96	The decision denied the reallocation petition and did not equate the Social Security Tax (COFINS) credit declarations for the first quarter of 2012, which were determined to be in the non-cumulative system.	We presented our administrative defense.	10,891
TAM Linhas Aéreas S/A	Department of Federal Revenue of Brazil	0012541-56.2016.5.03.0144	A class action in which the Union is petitioning that TAM be ordered to make payment of the correct calculation of Sundays and holidays.	A hearing was set for December 17, 2019	14,423
LATAM Airlines Argentina	Commercial Trial Court No. 15 of Buenos Aires.	11479/2012	Proconsumer and Rafaella Cabrera filed a claim citing discriminating fees charged to foreign users as compared to domestic users for services retained in Argentina.	The trial court judge dismissed Mrs. Cabrera's claim on March 7, 2019 and sustained the motion of lack of standing entered by Proconsumer. The ruling was appealed by the plaintiff on April 8, 2019 and will be decided by Room D.	-0-
LATAM Airlines Group Argentina, Brasil, Perú, Ecuador, y TAM Mercosur.	Commercial and Civil Trial Court No. 11 of Buenos Aires.	1408/2017	Consumidores Libres Coop. Ltda. filed this claim on March 14, 2017 regarding a provision of services. It petitioned for the reimbursement of certain fees or the difference in fees charged for passengers who purchased a ticket in the last 10 years but did not use it.	Federal Commercial and Civil Trial Court No. 11 in the city of Buenos Aires. After two years of arguments on jurisdiction and competence, the claim was assigned to this court and an answer was filed on March 19, 2019	-0-
TAM Linhas Aéreas S.A	Department of Federal Revenue of Brazil	10.880.938842/2013-54	The decision denied the petition for reassignment and did not equate the CONFINS credit statements for the third quarter of 2012 that had been determined to be in the non-accumulative system.	We presented our administrative defense.	11,521
TAM Linhas Aéreas S.A	Department of Federal Revenue of Brazil	10.880.93844/2013-43	The decision denied the petition for reassignment and did not equate the CONFINS credit statements for the third quarter of 2012 that had been determined to be in the non-accumulative system.	We presented our administrative defense	10,876

116

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A	Department of Federal Revenue of Brazil	10880.938841/ 2013-18	The decision denied the petition for reassignment and did not equate the CONFINS credit statements for the second quarter of 2012 that had been determined to be in the non-accumulative system.	We presented our administrative defense.	10,292
TAM Linhas Aéreas S.A	Receita Federal de Brasil	10840.727719 /2019-71	Collection of PIS / COFINS tax for the period of 2014.	We presented our administrative defense on January 11, 2020	42,276
Latam-Airlines Ecuador S.A.	Tribunal Distrital de lo Fiscal	17509-2014-0088	An audit of the 2006 Income Tax Return that disallowed fuel expenses, fees and other items because the necessary support was not provided, according to Management.	On August 6, 2018, the District Tax Claims Court rendered a decision denying the request for a refund of a mistaken payment. An appeal seeking vacation of this judgment by the Court was filed on September 5 and we are awaiting a decision by the Appellate judges. As of December 31, 2018, the lawyers believe that the probability of recovering this amount has fallen by 30% to 40%, so the provision was increased to $8.7 million. We have applied IFRIC 23 as of 12/31/19 because of the percentage loss (more than 50%), and we have recorded the entire provision in the income tax item.	12,505
Latam Airlines Group S.A.	Southern District of Florida. United States District Court	19cv23965	A lawsuit filed by Jose Ramon Lopez Regueiro against American Airlines Inc. and Latam Airlines Group S.A. seeking an indemnity for damages caused by the commercial use of the Jose Marti International Airport in Cuba that he says were repaired and reconditioned by his family before the change in government in 1959.	Latam Airlines Group S.A. was served this claim on September 27, 2019. LATAM Airlines Group filed a motion to dismiss on November 26, 2019. In response, a motion to suspend discovery was filed on December 23, 2019 while the Court was deciding on the motion to dismiss. The provision is undetermined.	-0-

- In order to deal with any financial obligations arising from legal proceedings in effect at December 31, 2019, whether civil, tax, or labor, LATAM Airlines Group S.A. and Subsidiaries, has made provisions, which are included in Other non-current provisions that are disclosed in Note 21.
- The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

(*) The Company has reported the amounts involved only for the lawsuits for which a reliable estimation can be made of the financial impacts and of the possibility of any recovery, pursuant to Paragraph 86 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

II. Governmental Investigations.

1) On July 25, 2016, LATAM reached agreements with the *U.S. Department of Justice* ("DOJ") and the *U.S. Securities and Exchange Commission* ("SEC") regarding the investigation of payments for US$1,150,000 by Lan Airlines S.A. in 2006-2007 to a consultant advising it in the resolution of labor matters in Argentina.

The purpose of the investigation was to determine whether these payments violated the U.S. Foreign Corrupt Practices Act ("FCPA") that: (i) forbids bribery of foreign government authorities in order to obtain a commercial advantage; and (ii) requires the companies that must abide by the FCPA to keep appropriate accounting records and implant an adequate internal control system. The FCPA is applicable to LATAM because of its ADR program in effect on the U.S. securities market.

After an exhaustive investigation, the DOJ and SEC concluded that there was no violation of the bribery provisions of the FCPA, which is consistent with the results of LATAM's internal investigation. However, the DOJ and SEC consider that LATAM 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 LATAM's internal controls in 2006-2007 were weak, so LATAM would have also violated the provisions in the FCPA requiring it to maintain an adequate internal control system.

The agreements signed, included the following:

(a) The agreement with the DOJ involves: (i) entering into a Deferred Prosecution Agreement ("DPA"), which is a public contract under which the DOJ files public charges alleging an infringement of the FCPA accounting regulations. LATAM is not obligated to answer these charges, the DOJ will not pursue them for a period of 3 years, and the DOJ will dismiss the charges after expiration of that 3-year period provided LATAM complies with all terms of the DPA. In exchange, LATAM must admit to the negotiated events described in the DPA and agree to pay the negotiated fine explained below and abide by other terms stipulated in the agreement; (ii) clauses in which LATAM admits that the payments to the consultant in Argentina were incorrectly accounted for and that at the time those payments were made (2006-2007), it did not have adequate internal controls in place; (iii) LATAM's agreement to have an outside consultant monitor, evaluate and report to the DOJ on the effectiveness of LATAM's compliance program for a period of 27 months; and LATAM's agreement to continue evaluating and reporting directly to the DOJ on the

effectiveness of its compliance program for a period of 9 months after the consultant's work concludes; and (iv) LATAM paid a fine of ThUS$12,750.

(b) The agreement with the SEC involves: (i) accepting a Cease and Desist Order, which is an administrative resolution of the SEC closing the investigation, in which LATAM will accept certain obligations and statements of fact that are described in the document; (ii) accepting the same obligations regarding the consultant mentioned above; and (iii) LATAM paid a fine of ThUS$ 6,744 and interest of ThUS$ 2,694.

On May 15, 2019, the external consultant certified that the Anticorruption program of LATAM Airlines Group S.A. It is reasonably designed and implemented to prevent and detect violations within LATAM to anti-corruption laws.

On July 23, 2019, the DOJ approved the certification made by the consultant on May 15, 2019 regarding the Anticorruption program of LATAM Airlines Group S.A.

On January 31, 2020, the Florida Court sustained the DOJ's motion to withdraw the criminal action filed against LATAM Airlines Group S.A. as LATAM had fulfilled all the conditions in the DPA. So, the DOJ case is closed.

2) On April 6, 2019, LATAM Airlines Group S.A. received notification of the resolution issued by the National Economic Prosecutor's Office (FNE), which begins an investigation into the LATAM Pass frequent passenger program. The last move in the cause Role No. 2530-19 leading this investigation corresponds to LATAM Airlines Group S.A. response in May 2019.

3) On July 9, 2019, LATAM Airlines Group S.A. received the resolution issued by the National Economic Prosecutor's Office (FNE), which begins an investigation into the Alliance Agreement between LATAM Airlines Group S.A. and American Airlines INC. The last move in the cause Role No. 2565-19 leading this investigation corresponds to a statement on September 11, 2019

4) On July 26, 2019, the National Consumer Service of Chile (SERNAC) issued the Ordinary Resolution No. 12,711 which proposed to initiate a collective voluntary mediation procedure on effectively informing passengers of their rights in cases of cancellation of flights or no show to boarding, as well as the obligation to return the respective boarding fees as provided by art. 133 C of the Aeronautical Code. The Company has voluntarily decided to participate in this procedure, the terms and conditions of which are being negotiated.

5) On October 15, 2019, LATAM Airlines Group S.A. received the resolution issued by the National Economic Prosecuting Authority (FNE) advising of the start of an investigation into the agreement between LATAM Airlines Group S.A. and Delta Airlines, Inc. (Case number 2585-19). The Company is cooperating in this investigation.

6) On December 11, 2019, LATAM Airlines Group S.A. received Office No. 122019 / FFD / 208993 by the Fiscalía Regional Metropolitana Centro Norte, requesting information on statements that appeared in the press in Brazil about alleged payments to public officials within the framework of the Asociación Brasileña de Compañías Aéreas, ABEAR. Cause No. 2585-19. The Company is currently cooperating with this process.

NOTE 32 – COMMITMENTS

(a) Loan covenants

The Company and its subsidiaries do not maintain credit agreements that set limits on certain financial indicators of the Company or its subsidiaries, with the exception of those detailed below:

With respect to the various contracts concluded by the Company for the financing of Boeing 787 aircraft that have the guarantee of the Export - Import Bank of the United States of America, limits have been established for some financial indicators of the parent company on a consolidated basis, in respect of which, in any case, non-compliance does not accelerate payment of the loan.

The established limits measured semiannually on the basis of the Consolidated Financial Statements are the following:

I. Debt to EBITDAR: The ratio of the Company's financial obligations, on a consolidated basis, to EBITDAR must not exceed 6 times.

   EBITDAR: It is defined as the net result, excluding interest, depreciation, amortization, rental income and profits or extraordinary losses not related to ordinary course of business.

II. Fixed charge index: EBITDAR of the last twelve months on the sum of the cash on a consolidated basis required to cover interest expenses during said period, plus lease rental expenses, plus dividends declared or paid by the Company. This index should not be less than 1.2 times.

III. Minimum liquidity: The cash and cash equivalent of the Consolidated Company must not be less than ThUS $ 75,000.

Regarding the renewable credit line of credit (“Revolving Credit Facility”) established with a consortium of twelve banks led by Citibank, with a guarantee of airplanes, engines, spare parts and supplies for a total amount available of US $ 600 million, this includes restrictions of minimum liquidity, measured at the level of the Consolidated Company (with a minimum level of US $ 750 million) and measured at the individual level for LATAM Airlines Group SA and TAM Linhas Aéreas S.A. (with a minimum level of US $ 400 million). Compliance with these restrictions is a precondition for using the line; If the line is used, these restrictions must be reported quarterly, and failure to comply with these restrictions results acceleration of loan payment. As of December 31, 2019, this line of credit is not used.

As of December 31, 2019 this line of credit established with a consortium of twelve banks led by Citibank, is not used.

As of December 31, 2019, the Company is in compliance with all the financial indicators detailed above.

On the other hand, the Company's financing contracts generally establish clauses related to changes in the ownership structure and in the controller and disposition of the assets (as regards mainly to important transfers of assets).

In particular, the contract "Indenture" signed between Guanay Finance Limited (see Note 1), LATAM Airlines Group S.A. and Citibank, N.A. on November 7, 2013, it includes clauses related to changes in the ownership structure and Company controller, which generate the anticipation of certain payment obligations. As result of the acquisition of 20% of the shares of LATAM Airlines Group S.A. by Delta Air Lines, Inc., the debt held by Guanay Finance Limited, which mature in December 2020, will be paid in March 2020, this was considered by the Company.

Finally, we Note that the particular terms of the aforementioned clauses regarding the Indenture contract are not included in any other financing contract that the Company maintains in force as of this date.

(b) Other commitments

At December 31, 2019 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
Corporación Peruana de Aeropuertos y Aviación Comercial	Latam Airlines Perú S.A.	Twenty six letter of credit	3,493	Jan-31-20
Lima Airport Partners S.R.L.	Latam Airlines Perú S.A.	Twenty one letter of credit	2,990	Feb-17-20
Superintendencia Nacional de Aduanas y de Administración Tributaria	Latam Airlines Perú S.A.	Twenty five letter of credit	200,000	Feb-12-20
Instituto Nacional de Defensa de la Compentencia y de la Protección	Latam Airlines Perú S.A.	Forty three letter of credit	1,483	Feb-27-20
Aena Aeropuertos S.A.	Latam Airlines Group S.A.	Four letter of credit	2,820	Nov-15-20
American Alternative Insurance Corporation	Latam Airlines Group S.A.	Seven letter of credit	3,790	Abr-05-20
Citibank N.A.	Latam Airlines Group S.A.	One letter of credit	27,226	Dec-20-20
Comisión Europea	Latam Airlines Group S.A.	One letter of credit	9,346	Dec-31-20
Deutsche Bank A.G.	Latam Airlines Group S.A.	One letter of credit	2,500	March-31-20
Dirección General de Aeronáutica Civil	Latam Airlines Group S.A.	Forty six letter of credit	18,487	Feb-28-20
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	Latam Airlines Group S.A.	One letter of credit	5,500	Jun-18-20
Metropolitan Dade County	Latam Airlines Group S.A.	Eight letter of credit	2,298	March-13-20
Numinous LLC	Latam Airlines Group S.A.	One letter of credit	2,200	Oct-15-20
Conselho Administrativo de Conselhos Federais	Tam Linhas Aéreas S.A.	Two letter of credit	1,730	Nov-24-20
Procon	Tam Linhas Aéreas S.A.	Three insurance policy guarantee	3,728	Apr-01-21
União Federal	Tam Linhas Aéreas S.A.	An insurance policy guarantee	1,277	Sep-28-21
Aena Aeropuertos S.A.	Tam Linhas Aéreas S.A.	One letter of credit	1,405	Aug-14-20
Procuradoria da Fazenda Nacional	Tam Linhas Aéreas S.A.	One letter of credit	8,017	Aug-10-20
RB Comercial Properties 49 Empreendimentos Imobiliarios LTDA	Tam Linhas Aéreas S.A.	One letter of credit	35,974	Apr-29-20
Tribunal de Justição de São Paulo.	Tam Linhas Aéreas S.A.	An insurance policy guarantee	1,927	Sep-23-24
17a Vara Cível da Comarca da Capital de João Pessoa/PB.	Tam Linhas Aéreas S.A.	An insurance policy guarantee	3,050	Jun-25-23
10ª Vara de Execuções Fiscais Federais de São Paulo/SP.	Tam Linhas Aéreas S.A.	An insurance policy guarantee	33,938	Oct-03-20
Vara da Fazenda Pública da Comarca do Rio de Janeiro - RJ	Tam Linhas Aéreas S.A.	An insurance policy guarantee	1,043	Sep-25-23
Vara das Execuções Fiscais Estaduais	Tam Linhas Aéreas S.A.	Three insurance policy guarantee	6,770	Jul-05-23
Vara Civel Campinas.	Tam Linhas Aéreas S.A.	An insurance policy guarantee	1,709	Jun-14-24
Procon	ABSA Linhas Aereas Brasileira S/A	An insurance policy guarantee	10,453	May-19-20
Vara Federal da Subseção de Campinas SP	ABSA Linhas Aereas Brasileira S/A	An insurance policy guarantee	15,856	Feb-20-21
Vara Federal da Subseção de Campinas SP	ABSA Linhas Aereas Brasileira S/A	One letter of credit	2,329	Oct-20-21
Conselho Administrativo de Conselhos Federais	ABSA Linhas Aereas Brasileira S/A	An insurance policy guarantee	5,435	Oct-20-21
			416,774	

The credit letters related to right of use assets are included in Note 17 letter (d) Additional information Property, Plant and Equipment, in numeral (i) Property Plant and equipment delivered under guarantee.

NOTE 33 - TRANSACTIONS WITH RELATED PARTIES

(a) Details of transactions with related parties as follows:

Tax No.	Related party	Nature of relationship with related parties	Country of origin	Nature of related parties transactions	Currency	Transaction amount with related parties As of December 31, 2019	2018
						ThUS$	ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	Tickets sales	CLP	16	16
78.591.370-1	Bethia S.A and subsidiaries	Related director	Chile	Services received of cargo transport	CLP	556	1,778
				Services received from National and International Courier	CLP	(3)	(85)
				Services provided of cargo transport	CLP	-	-
				Sales commissions	CLP	(218)	(821)
				Services received advertising	CLP	(726)	(1,025)
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	Tickets sales	CLP	61	51
96.782.530-1	Inmobiliaria Inversiones Asturias S.A.	Related director	Chile	Tickets sales	CLP	-	25
76.335.600-0	Parque de Chile S.A.	Related director	Chile	Tickets sales	CLP	9	20
96.989.370-3	Rio Dulce S.A.	Related director	Chile	Tickets sales	CLP	-	18
Foreign	Inversora Aeronáutica Argentina	Related director	Argentina	Property leases received	ARS$	-	(231)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Common shareholder	Brazil	Services provided	BRL	58	62
				Services received of cargo transport	BRL	2	8
				Services provided	BRL	(10)	-
				Services received at airports	BRL	-	(2)
Foreign	Qatar Airways	Indirect shareholder	Qatar	Services provided by aircraft lease	US$	39,528	21,321
				Interlineal received service	US$	(2,050)	(6,345)
				Interlineal provided service	US$	3,739	8,635
				Services provided of handling	US$	1,106	1,392
				Services provided / received others	US$	996	1,805

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

Transactions between related parties have been carried out under market conditions between interested and duly informed parties.

(b) Compensation of key management

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

	For the year ended December 31, 2019	2018
	ThUS$	ThUS$
Remuneration	13,701	14,841
Management fees	411	307
Non-monetary benefits	1,815	748
Short-term benefits	31,124	45,653
Long-term benefits	8,577	2,412
Share-based payments	3,296	(7,210)
Termination benefits	1,428	1,404
Total	60,352	58,155

NOTE 34 - SHARE-BASED PAYMENTS

(a) Compensation plan for increase of capital

Compensation plans implemented by providing options for the subscription and payment of shares that have been granted by LATAM Airlines Group S.A. to employees of the Company and its subsidiaries, are recognized in the financial statements in accordance with the provisions of IFRS 2 "Share-based Payment", showing the effect of the fair value of the options granted under compensation in linear between the date of grant of such options and the date on which these irrevocable.

(a.1) Compensation plan 2013 not current as of this date

At the Extraordinary Shareholders' Meeting held on June 11, 2013, the shareholders of the Company approved, among other matters, the increase in the share capital, of which 1,500,000 shares were allocated to compensation plans for the employees of the Company. Company and its subsidiaries, in accordance with the provisions of Article 24 of the Law on Public Limited Companies.

On June 11, 2018, expired the term to subscribe said actions, which were neither subscribed nor paid, reducing the capital of full rights.

(b) Compensation plan 2016-2018

The company implemented a retention plan long-term for executives, which lasts until December 2018, with a vesting period between October 2018 and March 2019, which consists of an

extraordinary bonus whose calculation formula is based on the variation the value to experience the action of LATAM Airlines Group S.A. for a period of time.

This benefit is recorded in accordance with the provisions of IFRS 2 "Payments based on shares" and has been considered as a cash settled award and, therefore, recorded at fair value as a liability, which is updated at the closing date. of each financial statement with effect on the result of the period.

	Base Units				
Periods	Opening balance	Granted	Annulled	Exercised	Closing Balance
From January 1 to December 31, 2018	2,932,896	-	(171,419)	(1,168,700)	1,592,777
From January 1 to December 31, 2019	1,592,777	93,481	-	(1,686,258)	-

The fair value has been determined on the basis of the best estimate of the future value of the Company share multiplied by the number of units granted bases.

As of December 31, 2019 and 2018, the amount recorded is ThUS$ 3,296 and ThUS$ (7,210), respectively, classified under the line "Administrative expenses" of the Consolidated Income Statement by function.

We inform you that this Compensation Plan is finished (LP1).

(c) LP2 compensation plans (2019-2020)

The company implemented a long-term retention plan for executives that lasts until March 2020, with a period of enforceability between October 2019 and March 2020, which consists of an extraordinary bonus whose calculation formula is based on the variation of the value experienced by the action of LATAM Airlines Group SA for a certain period of time.
At December 31, 2019 the required action price for its collection is under the initial target.

(d) LP3 compensation plans (2020-2023)

The Company implemented a program for a group of executives, which lasts until March 2023, with a period of enforceability between October 2020 and March 2023, where the collection percentage is annual and cumulative. The methodology is an allocation, of quantity of units, where a goal of the value of the action is set.
The bonus is applicable, if the target of the price of the action defined in each year is met. In case the bonus is accumulated, until the last year, the total bonus is doubled (in the case of the share price is activated).

(e) Subsidiary compensation plans

(e.1) Stock-based payments

As indicated in Note 1, and the consequent resignation of the executives of Multiplus S.A. the option plans granted were canceled. (As of December 31, 2018, the options for current shares amounted to 247,500 shares for Multiplus S.A.)

Multiplus S.A.

Description	3rd Grant	4th Grant	4nd Extraordinary Grant	Total
	03-21-2012	04-03-2013	11-20-2013	
Outstanding option number as December 31, 2018	84,249	163,251	-	247,500
Outstanding option number as December 31, 2019	-	-	-	-

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 December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
Multiplus S.A.	-	247,500	-	247,500

In accordance with IFRS 2 - Payments based on shares, the fair value of the option must be recalculated and recorded in the liability of the Company, once cash payment is made (cash-settled). The fair value of these options was calculated using the "Black-Scholes-Merton" method, where the assumptions were updated with information from LATAM Airlines Group S.A. As of December 31, 2018 there is no value recorded in liabilities and results.

(e.2) Payments based on restricted stock

As of December 31, 2019, payment contracts based on restricted shares signed with the executives of Multiplus S.A. were canceled, as described in Note 1.

	Opening balance	Exercised	Not acquired due to breach of employment retention conditions	Closing balance
From January 1 to December 31, 2018	309,710	(83,958)	(8,916)	216,836
From January 1 to December 31, 2019	216,836	-	-	216,836

NOTE 35 - STATEMENT OF CASH FLOWS

(a) The Company has carried out non-monetary transactions mainly related to financial lease and lease liabilities, which are described in Note 19 Other financial liabilities.

(b) Other inflows (outflows) of cash:

	For theyear ended December 31, 2019	2018
	ThUS$	ThUS$
Delta Air Lines Inc. Compensation (1)	350,000	-
Fuel hedge	(9,966)	77,234
Hedging margin guarantees	(21,200)	1,573
Currency hedge	-	(1,282)
Change reservation systems	-	-
Tax paid on bank transaction	(11,369)	318
Fuel derivatives premiums	(17,102)	(13,947)
Bank commissions, taxes paid and other	(20,627)	(8,179)
Guarantees	(5,474)	14,755
Court deposits	(22,976)	(30,860)
Total Other inflows (outflows) Operation flow	241,286	39,612
Others deposits in guarantees	-	-
Tax paid on bank transaction	(2,249)	(2,476)
Others	-	-
Total Other inflows (outflows) Investment flow	(2,249)	(2,476)
Loan guarantee	-	-
Settlement of derivative contracts	(2,976)	(11,675)
Aircraft Financing advances	(55,728)	55,728
Others	-	-
Total Other inflows (outflows) Financing flow	(58,704)	44,053

(1) See Note 22.

(c) Dividends:

	For the period ended December 31, 2019	2018
	ThUS$	ThUS$
Latam Airlines Group S.A.	(54,580)	(46,591)
Multiplus S.A. (*)	-	(26,029)
Latam Airlines Perú S.A. (*)	(536)	-
Total dividends paid	(55,116)	(72,620)

(*) Dividends paid to minority shareholders

(d) Reconciliation of liabilities arising from financing activities:

	As of	Cash flows			Non-Flow Movements		As of
Obligations with	December 31,	Obtainment	Payment		Interest accrued		December 31,
financial institutions	2018	Capital	Capital	Interest	and others	Reclassifications	2019
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
	Restated						
Loans to exporters	400,721	93,000	(145,505)	(12,934)	6,193	-	341,475
Bank loans	222,741	164,095	(165,549)	(11,352)	7,320	-	217,255
Guaranteed obligations	2,534,021	607,797	(282,721)	(93,335)	93,286	(701,721)	2,157,327
Other guaranteed obligations	673,452	-	(92,549)	(28,417)	27,946	-	580,432
Obligation with the public	1,553,079	1,009,836	(487,086)	(144,932)	134,037	-	2,064,934
Financial leases	1,624,854	-	(591,861)	(72,311)	68,440	701,721	1,730,843
Other loans	252,858	27,864	(178,777)	(9,648)	8,964	-	101,261
Lease liability	2,858,049	-	(398,992)	(177,949)	891,049	-	3,172,157
Total Obligations with financial institutions	10,119,775	1,902,592	(2,343,040)	(550,878)	1,237,235	-	10,365,684

	As of	Cash flows			Non-Flow Movements		As of
Obligations with	December 31,	Obtainment	Payment		Interest accrued		December 31,
financial institutions	2017	Capital	Capital	Interest	and others	Reclassifications	2018
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
	Restated						Restated
Loans to exporters	314,619	293,001	(202,000)	(10,467)	5,568	-	400,721
Bank loans	321,633	74,663	(167,548)	(13,961)	7,954	-	222,741
Guaranteed obligations	4,036,843	-	(315,698)	(122,639)	99,320	(1,163,805)	2,534,021
Other guaranteed obligations	242,175	704,398	(274,339)	(16,873)	18,091	-	673,452
Obligation with the public	1,584,066	-	1,561	(107,629)	75,081	-	1,553,079
Financial leases	1,109,504	-	(691,390)	(69,808)	112,743	1,163,805	1,624,854
Other loans	282,800	55,728	(88,934)	(15,978)	19,242	-	252,858
Lease liability	3,146,972	-	(373,440)	(182,948)	267,465	-	2,858,049
Total Obligations with financial institutions	11,038,612	1,127,790	(2,111,788)	(540,303)	605,464	-	10,119,775

(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 period ended December 31,	
	2019	2018
	ThUS$	ThUS$
Increases (payments)	(86,288)	(212,163)
Recoveries	349,702	157,508
Total cash flows	263,414	(54,655)

f) The net effect by the hyperinflation application in the consolidated statement of cash flow for the exercise ended December 31, 2019 and 2018 corresponds to:

	For the period ended December 31,	
	2019	2018
	ThUS$	ThUS$
Net cash flows from (used in) operating activities	118,797	6,088
Net cash flows from (used in) investment activities	64,516	(17,611)
Net cash flows from (used in) financing activities	(56,866)	3,914
Effects of variation in the exchange rate on cash and cash equivalents	(126,447)	7,609
Net increase (decrease) in cash and cash equivalents	-	-

NOTE 36 - THE ENVIRONMENT

LATAM Airlines Group S.A has a commitment to sustainable development seeking to generate value taking into account the governance, environmental and social aspects. The company manages environmental issues at a corporate level, centralized in the Sustainability Management. For the company to monitor and minimize its impact on the environment is a commitment of the highest level; where the continuous improvement and contribute to the solution of the global climate change problem, generating added value to the company and the region, are the pillars of its management.

One of the functions of the Sustainability Management in environmental issues, together with the various areas of the Company, is to ensure environmental compliance, implement a management system and environmental programs that comply with the requirements every day more demanding worldwide; in addition to continuous improvement programs in their internal processes, which generate environmental, social and economic benefits and which are added to those currently carried out.

Within the sustainability strategy, the Environment dimension of LATAM Airlines Group S.A., is called Climate Change and is based on the goal of achieving world leadership in this area, and for which we work on the following aspects:

i. Carbon footprint
ii. Eco Efficiency
iii. Sustainable Alternative Energy
iv. Standards and Certifications

This is how, during 2019, 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 2018 has recertified its environmental management system in Miami facilities following the guidelines of the international standard ISO 14.001.
- 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

129

certification; being the first in the continent and one of the four airlines in the world that have this certification.

- Maintenance of the Stage 1 Certification of IEnvA of our operation in Colombian, achieved in 2018
- Preparation of the environmental chapter for the sustainability report of the company 2019, 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 domestic air operations in Colombia.
- Neutralization of land operations in all spanish speaking countries through the purchase of carbon credits for an emblematic project in the Amazon.
- Incorporation of 100% electric power from renewable sources in the maintenance base facilities and the corporate building of operations in Chile.
- Implementation of the Recycle Your Trip program, which seeks to manage the waste generated on board domestic flights in Chile. This program aims to incorporate a hub every 6 months.

It is highlighted that in 2019, LATAM Airlines Group maintained its inclusion for the sixth 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 December 31, 2019, there has been a significant variation in the exchange rate (Central Bank of Brazil) R $ / US $, from R $ 4.03 to US$ to R $ 4.49 per US$ to March 03, 2020, which represents a depreciation of 11.51% of the Brazilian currency.

After December 31, 2019 and until the date of issuance of these financial statements, there is no knowledge of other events of a financial or other nature, which significantly affect the balances or interpretation thereof.

The consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries as of December 31, 2019, have been approved in the Extraordinary Board Session of March 3, 2020.

Affiliates and subsidiaries

LATAM AIRLINES GROUP S.A

LATAM Airlines Group S.A., R.U.T. 89.862.200-2
Professional Airlines Services

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

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

Lan Chile S.A.'s Extraordinary Shareholders' Meeting agreed on July 23, 2004 to change the company's name to "Lan Airlines S.A." An excerpt of the deed to which the Minutes of said Meeting referred was recorded in the Registry of Commerce on page 25,128 item 18,764 of the year 2004 and published in the Official Gazette on August 21, 2004.

Lan Airlines S.A.'s Extraordinary Shareholders' meeting held on December 21, 2011 agreed to change the Company's name to "LATAM Airlines Group S.A." An excerpt of the deed to which the Minutes of said Meeting referred was recorded in the Real Estate Registry of the Registry of Commerce on page 4,238 item 2,921 of the year 2012 and published in the Official Gazette on January 14, 2012. The effective date for the name change was June 22, 2012.

LATAM Airlines Group S.A. is ruled by the regulation applicable to open stock companies, and registered to this effect under number 0306, dated January 22, 1987, in the Securities Register of the Financial Market Commission (CMF for its Spanish acronym).

Note: A summary of the subsidiaries' Financial Statements is presented herein. The full information is available to the public in our offices and at the CMF.

TAM S.A. AND AFFILIATES

Incorporation: Joint Stock Corporation established in Brazil in May, 1997.

Purpose: To participate as shareholder in other companies, particularly those operating scheduled air transport services on a national and international level, as well as activities connected, related, and complementary to scheduled air transport.

Paid-in Capital: THUS$3,661,461
Profit for the period: THUS$186,140
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 7.29%

Board Members: Jerome Paul Jacques Cadier

Board Members:
Jerome Paul Jacques Cadier – Chairman and Commercial Director
Jefferson Cestari – CFO
Euzébio Angelotti Neto – COO

TAM S.A. AFFILIATE COMPANIES

TAM Linhas Aéreas S.A.

Individualization: Joint Stock Corporation established in Brazil in February 1998.

Purpose: (a) Operate scheduled air transport services for passengers, cargo, or baggage, pursuant to current legislation; (b) Operate complementary activities for air transport services for passengers, cargo, and baggage; (c) Provide services for maintenance, aircraft repair (own and third-party airplanes), engines, and parts; (d) Provide aircraft hangar services; (e) Provide runway services, on-board provision of aircraft cleaning services; (f) Provide engineering, technical assistance, and other related services for the aeronautical industry; (h) Analyze and develop programs and systems; (i) Purchase and sell spare parts, accessories, and aeronautical equipment; (j) Develop and perform other related, correlated, or complementary activities for air transport, in addition to those expressly enumerated above; (k) Import and export finished lubricant; (l) Operate bank correspondent services; and (m) storage and deposit of all sorts of solid, liquid, and gas products on behalf of third parties.

Paid-in Capital: THUS$1,170,062
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 7.05768%

Chairman of the Board: Jerome Paul Jacques Cadier

Board Members:
Jerome Paul Jacques Cadier – Chairman
Jefferson Cestari – CFO
Euzébio Angelotti Neto – COO

ABSA: Aerolinhas Aerolinhas Brasileiras S.A.

Individualization: Joint Stock Corporation established in Brazil in August 1995.

Purpose: (a) Operate scheduled air transport services for domestic and international passengers, cargo, and correspondence, pursuant to current legislation; (b) Operate auxiliary activities for air transport, such as service, cleaning, and hauling aircraft, load monitoring, operational flight dispatch, check-in and check-out, and other services established within its own legislation; (c) commercial and operational leasing, as well as air charter services; (d) Operate maintenance and marketing services for aircraft spare parts and equipment; and (e) Develop and carry out other related, correlated, and complementary activities for air transport, in addition to those enumerated above.

Paid-in Capital: THUS$12,577
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.04290%

Chairman of the Board: Jerome Paul Jacques Cadier
Board Members:
Jerome Paul Jacques Cadier- Chairman
Diogo Abadio – Commercial Director
Jefferson Cestari – CFO

Transportes Aereos del Mercosur S.A.

Individualization: Joint Stock Corporation established in Paraguay.

Purpose: It has a broad corporate purpose that includes aeronautical, commercial, tourist, service, financial, representation, and investment activities, with a focus on scheduled and charter, domestic and international, aeronautical transporation activities for people, objects, and/or correspondence, among others, as well as commercial and maintenance and technical assistance services for all types of aircraft, equipment, accessories, and material for air navigation, among others.

Paid-in Capital: THUS$10,143
Stake in 2019: 94.98%
YOY variation: 0.00%
% of Holding assets: 0.13485%

Chairman of the Board: Rosario Altgelt

Board Members:
Executive: Enrique Alcaide Hidalgo
Permanent Member: Esteban Burt
Permanent Member: Diego Martínez
Permanent Member: Dario Maciel Martinez
Alternate Member: Augusto Sanabria Benítez

Managers:
Enrique Alcaide Hidalgo
Esteban Burt Artaza
Diego Martinez
Maria Emiliana Duarte León
Luis Galeano

Fidelidade Viagens e Turismo S.A.

Individualization: Joint Stock Corporation established in Brazil in December, 2013.

Purpose: (i) devoted to private and non-private travel agency and tourism activities, provided in the valid tourism legislation; and (ii) management and operation of tourist activities for events and leisure.

Paid-in Capital: THUS$29,379
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.10315%

Board Members:
Jerome Paul Jacques Cadier- Chairman
Jefferson Cestari – Board member
Euzébio Angelotti Neto - Board member

Corsair Participações S.A.

Individualization: Joint Stock Corporation established in Brazil in January, 2011.

Purpose: (i) To participate in other civil or trade companies, as a shareholder or creditor; and (ii) To manage its own assets.

Paid-in Capital: THUS$47
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00526%

Chairman of the Board: Carlos Eduardo Prado

Board Members:
Carlos Eduardo Prado – Chairman
Euzébio Angelotti Neto – Board member

TP Franchising Ltda.

Individualization: Limited Liability Company established in Brazil in August 2004.

Purpose: (a) to award franchises; (b) to temporarily award its franchisees, free of charge or for a fee, the right to use its brands, systems, knowledge, methods, patents, actuation technology, and any other rights, stakes, or assets, personal or real estate, tangible or intangible, owned by the Company, as present or future owner or licensee, for the development, implementation, operation, or management of the franchises that it may grant; (c) to develop any and all necessary activities to ensure, insofar as possible, the ongoing maintenance and perfecting of the actuation patterns of its franchise network; (d) to develop implementation, operation, and management models for its franchise network and their transfer to the franchisees; and (e) the distribution, sale, and marketing of airfares and related products, as well as any related or accessory business to its main objective, while also able to participate in other companies as partner or shareholder, either in Brazil or Abroad, or in consortiums, as well as to carry out its own projects, or form partnerships with third parties in their projects, even to obtain tax benefits, pursuant to current legislation.

Paid-in Capital: THUS$7
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.00471%

Managers:
Jerome Paul Jacques Cadier
Jefferson Cestari
Euzébio Angelotti Neto

LAN CARGO S.A AND AFFILIATES

Incorporation: Established as a private limited company via the public deed dated May 22, 1970, before Notary Sergio Rodriguez Garces, its incorporation was materialized through the contribution of assets and liabilities from company Linea Aerea del Cobre Limitada (Ladeco Limitada), established on September 3, 1958, before Santiago Notary Jaime Garcia Palazuelos.

Pursuant to the public deed dated November 20, 1998, and an excerpt of which has been recorded on page 30,091 item 24,117 of the Santiago Registry of Commerce and published in the Official Gazette on December 3, 1998, Ladeco S.A. was merged by incorporation into the affiliate of Lan Chile S.A. known as Fast Air Carrier S.A.

In the public deed dated October 22, 2001, wherein the Minutes from the Extraordinary Shareholders' Meeting of Ladeco S.A. held on the same date were recorded, the company's name was changed to "Lan Chile Cargo S.A." An excerpt of said deed was recorded in the Real Estate Registry of the Santiago Registry of Commerce on page 27,746 item 22,624 of the year 2001, and published in the Official Gazette on November 5, 2001. The name change became effective as of December 10, 2001.

In the public deed dated August 23, 2004, wherein the Minutes from the Extraordinary Shareholders' Meeting of Lan Chile Cargo S.A. held on August 17, 2004 were recorded, the company's name was changed to "Lan Cargo S.A." An excerpt of said deed was recorded in the Real Estate Registry of the Santiago Registry of Commerce on page 26,994 item 20,082 of the year 2004 and published in the Official Gazette on August 30, 2004.

The company has undergone various reforms, the latest of which is recorded in the public deed dated March 20, 2018 before Notary Patricio Raby Benavente, and recorded on page 28,810, item 15,276 of the Santiago Registry of Commerce for year 2018, and published in the Official Gazette on August 2, 2018, pursuant to which the number of board members was reduced.

Purpose: To perform and develop, either on its own behalf or for third parties, the following: general transportation in any form and, specifically, air transport of passengers, cargo, and correspondence, within the country and abroad; tourism, lodging, and other related activities, in any form, within the country and abroad; purchase, sale, manufacture and/or integration, maintenance, leasing, or any other form of use, be it on its own behalf or for third parties, of airplanes, spare parts, and aeronautical equipment, and their operation for any given purpose; provide all sorts of services and counseling related to transportation in general and, specifically, to air transportation in any of its forms, be it ground support, maintenance, technical assistance, or any other type, within the country and abroad, and all sorts of services and activities related to tourism, lodging, and other abovementioned activities and goods, within the country and abroad. In order to meet the abovementioned goals, the Company may perform investments or participate as partner in other companies, either by purchasing stocks or rights or stakes in any other type of corporation, be it an already established one or one created in the future, and overall, perform all acts and enter all contracts necessary and relevant to the purposes described.

Paid-in Capital: THUS$83,226
Profit for the period: THUS$4,210
Stake in 2019: 99.89810%
YOY variation: 0.00%
% of Holding assets: 1.6566%

Chairman of the Board: Enrique Cueto Plaza

Board Members:
Andrés Bianchi Urdinola (LATAM Executives)
Ramiro Alfonsin Balza (LATAM Executives)
Enrique Cueto Plaza (LATAM Executive)

General Manager:
Andrés Bianchi Urdinola (LATAM Executives)

LAN CARGO S.A. AFFILIATE COMPANIES

Fast Air Almacenes de Carga S.A.

Individualization: Joint Stock Corporation established in Chile.

Purpose: To operate or manage the warehouses or storage facilities of customs deposits, where any type of good or merchandise can be stored until its withdrawal, for imports, exports, or other customs destination, pursuant to the terms stated within the Customs Ordinance, its rules, and other corresponding regulation.

Paid-in Capital: THUS$6,741
Stake in 2019: 99.89%
YOY variation: 0.00%
% of Holding assets: 0.03595%

Board Members:
Ramiro Alfonsin Balza (LATAM Executive)
Andrés Bianchi Urdinola (LATAM Executives)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager:
Javier Andrés Durán Fernández (LATAM Executive)

Prime Airport Services Inc. and affiliate

Individualization: Corporation established in the United States.

Purpose: To operate or manage the warehouses or storage facilities of customs deposits, where any type of good or merchandise can be stored until its withdrawal, for imports, exports, or other customs destination, pursuant to the terms stated within the Customs Ordinance, its rules, and other corresponding regulation.

Paid-in Capital: THUS$2
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: (0.00490%)

Board Members:
Rene Pascua
Mathias Herceg (LATAM executive)

Lan Cargo Overseas Limited and affiliates

Individualization: Limited Liability Company established in Bahamas.

Purpose: To participate in any act or activity that is not expressly forbidden by any existing law in Bahamas.

Paid-in Capital: THUS$55
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.15981%

Board Members:
Andres del Valle Eitel (LATAM Executive)
Jan Hendrik Siemssen

Transporte Aéreo S.A.

Individualization: Joint Stock Corporation established in Chile.

Purpose: To participate in any act or activity that is not expressly forbidden by any existing law in Bahamas.

Paid-in Capital: THUS$11,800
Participación2019: 99.99%
YOY variation: 0.00%
% of Holding assets: 1.02861%

Board Members:
Enrique Cueto Plaza (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager:
José Tomás Covarrubias Cervero (LATAM Executive)

Consorcio Fast Air Almacenes de Carga S.A. - Laser Cargo S.R.L.

Individualization: Limited Liability Company established in Argentina.

Purpose: On its own behalf and/or for third parties, to provide services as an air and sea cargo agent, operation of air and sea containers, loading and unloading control of conventional aircraft, cargo aircraft, conventional ships, and container ships, consolidation and deconsolidation, operations and contracts with air, sea, river, and land cargo transport, distribution, and promotion companies, and related activities and services, imports and exports: said operations will be carried out pursuant to the laws of the country and the regulation pertaining to said professions and activities, the legal stipulations on customs, and the rules of the Argentine coast guard (PNA), Argentine airforce, as well as by commissioning to third parties the performance of tasks assigned by current legislation to customs brokers; also, deposit and transfer of fruit, products, raw materials, general merchandise, and documents in general on its own behalf and/or for third parties: packaging of general merchandise, on its own behalf and/or for third parties. To perform said activities, the company may register as sea or air agent, importer and exporter, sea and air contractor and supplier before the corresponding authorities. In turn, it will carry out postal activities destined to the admission, classification, transportation, distribution, and delivery of correspondence, letters, postcards, and parcels weighing up to 50 kg, within the Argentine Republic and to or from other countries. This activity includes the tasks carried out by so-called couriers or courier companies, and all other assimilated or assimilable activities pursuant to Art. 4 of Decree 1187/93. The company may also carry out the logistics process consisting in transferring, storing, assembling, fractioning, packaging, and conditioning of general merchandise to be later transported and distributed to the end customer, as well as managing the pertinent information to fulfill this goal; that is: the logistics process from fetching the raw material from the supplier to delivering the finished product to the customer, and the information regulation to guarantee the efficiency in this management process.

Paid-in Capital: THUS$68
Stake in 2019: 99.99%
YOY variation: 0.00%
% of Holding assets: (0.00005%)

Board Members: Esteban Bojanich

Lan Cargo Inversiones S.A. and affiliate

Individualization: Joint Stock Corporation established in Chile.

Purpose: a) to trade in air transportation, in any of its forms, be it of passengers, correspondence, and/or cargo, and anything related directly or indirectly to said activity within the country or abroad, on its own behalf or for third parties; b) to provide services related to the maintenance and repair of own and third-party aircraft; c) to market and perform activities related to travel, tourism, and lodging; d) to make and/or participate in all types of investments, both in Chile and abroad, in matters directly or indirectly related to aeronautical issues and/or to any of the other corporate purposes; and e) to carry out and operate all other activities derived from the corporate purpose and/or related, connected, contributory, or complementary activities thereof.

Paid-in Capital: THUS$125
Participación2019: 100.00%
YOY variation: 0.00%
% of Holding assets: (0.06387%)

Board Members:
Andrés Bianchi Urdinola Plaza (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager: Andrés del Valle Eitel (LATAM Executive)

Connecta Corporation

Individualization: Corporation established in the United States.

Purpose: Ownership, operating leasing, and subleasing of aircraft.

Paid-in Capital: THUS$1
Participación2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.19010%

General Manager: Andrés Bianchi Urdinola

Linea Aerea Carguera de Colombia S.A. (Subsidiary of LAN Cargo Inversiones)

Individualization: Joint Stock Corporation established in Colombia.

Purpose: To provide public, commercial cargo, and correspondence air transportation within the Republic of Colombia and from and to Colombia. As a secondary corporate purpose, the company can offer maintenance services to itself and to third parties; run its operations school and provide theoretical and practical instruction services, as well as training for its own and third-party aeronautical personnel in the various modes and specialties; import spare parts and replacements related to aeronautical activities, for itself and for third parties; provide airport services to third parties; represent or broker national and foreign air transport companies for passengers or cargo, and in general, companies that provide services to the aeronautical sector.

Paid-in Capital: THUS$774
Participación2019: 90.00%
YOY variation: 0.00%
% of Holding assets: 0.03515%

Board Members:
Jorge Nicolas Cortazar Cardoso (permanent member)
Jose Mauricio Rodriguez Munera (permanent member)
Jaime Antonio Gongora Esguerra (permanent member)
Andrés Bianchi Urdinola (Alternate Member)
Santiago Alvarez Matamoros (permanent member)
Helen Victoria Warner Sanchez (alternate member)

Administration:
Jaime Antonio Gongora Esguerra (Permanent Legal Representative)
Erika Zarante Bahamon (Alternate Legal Representative)

Mas Investment Limited (Subsidiaria de LAN Overseas Limited)

Individualization: Limited Liability Company established in Bahamas.

Purpose: To perform all activities that are not expressly forbidden by Bahamas law, and specifically, to hold stakes in other LATAM affiliates.

Paid-in Capital: THUS$1,446
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.13648%

Board Members:
Andrés Enrique Del Valle Eitel
Jan Hendrik Siemssen
Ewa Jurczak

Inversiones Áreas S.A (A Subsidiary of Mas Investmet Limited)

Individualization: Joint Stock Corporation established in Peru.

Purpose: To promote, establish, organize, operate, and participate in the capital and equity of all types of trade companies, civil associations, industrial, commercial, service, or any other type of associations or companies, both national and foreign, as well as to participate in their management or settlement. *Acquisition, disposal, and overall trading in all types of stocks, equity interests, and any other security allowed by the law… *Providing or contracting technical, advisory, and consulting services, as well as signing contracts or agreements to pursue these goals.

Paid-in Capital: THUS$428
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.01833%

Chairman of the Board: Jorge Alejandro Villa Mardel

Board Members:
Jorge Alejandro Villa Mardel
Andrés Enrique del Valle Eitel
Ramiro Diego Alfonsín Balza

General Manager: Silvana Muguerza Mori

Americonsult S.A de C.V.

Individualization: Variable Capital Corporation established in Mexico.

Purpose: To provide and receive all manner of technical, administrative, or counseling services for industrial, commercial, and service companies; Promote, organize, manage, supervise, provide, and direct personnel training courses; Perform all types of studies, plans, projects, and research; Engage the necessary professional and technical personnel.

Paid-in Capital: THUS$5
Stake in 2019: 49.00%
YOY variation: 0.00%
% of Holding assets: (0.01505%)

Administration:
Diana Olivares (Chairwoman of the Board)
Eduardo Opazo (Secretary)
Francisco José Sánchez González (Commissioner)
Raúl Moreno González (Alternate Commissioner)

Americonsult de Guatemala S.A.
(A subsidiary of Americonsul S.A de C.V)

Individualization: Joint Stock Corporation established in Guatemala.

Purpose: Powers to represent, broker, negotiate, and market; Carry out all types of commercial and industrial activities; All manner of trade in general. Broad purpose that allows for all manner of operations within the country.

Paid-in Capital: THUS$76
Stake in 2019: 99.00%
YOY var.: 0.00%
% of Holding assets: 0.00064%

Chairman of the Board: Luis Ignacio Sierra Arriola

Board Members:
Carlos Fernando Pellecer Valenzuela

Administration:
Carlos Fernando Pellecer Valenzuela

Americonsult de Costa Rica S.A.
(A subsidiary of Americonsul S.A de C.V)

Incorporation: Joint Stock Corporation established in Costa Rica.

Purpose: General trade; industry, agriculture, and livestock.

Paid-in Capital: THUS$20
Stake in 2019: 99.00%
YOY var.: 0.00%
% of Holding assets: 0.00561%

Administration:
Luis Ignacio Sierra Arriola
Luis Miguel Renguel López
Tomás Nassar Pérez
Marjorie Hernández Valverde.
Alejandro Fernández Espinoza (Treasurer)

LATAM AIRLINES PERU S.A.

Incorporation: Joint Stock Corporation established in Peru on February 20, 1997.

Purpose: Render air transportation services for passengers, cargo, and correspondence, both nationally and internationally, pursuant to current civil aeronautical legislation.

Paid-in Capital: THUS$4,341
Profit for the period: THUS$(3,550)
Stake in 2019: 70.00%
YOY variation: 0.00%
% of Holding assets: 0.04121%

Chairman of the Board:
Cesar Emilio Rodríguez Larraín Salinas

Board Members:
César Emilio Rodríguez Larraín Salinas
Ignacio Cueto Plaza (LATAM Executive)
Enrique Cueto Plaza (LATAM Executive)
Jorge Harten Costa
Andrés Rodríguez Larraín Miró Quesada
Emilio Rodríguez Larraín Miró Quesada
Roberto Alejandro Alvo Milosawlewitsch (LATAM Executive)

General Manager: Manuel Van Oordt

LAN INVERSIONES S.A.

Incorporation: Established as a joint stock company through the Public Deed dated January 23, 1990 before Notary Humberto Quezada M., recorded in the Santiago Commerce Registry on page 3,462 item 1,833 of the year 1990, and published in the Official Gazette on February 2, 1990.

Purpose: Perform investments in all manner of goods, be they personal or real estate, tangible or intangible. Moreover, the Company may establish other types of companies of any sort; acquire rights in already existing corporations, manage, modify, and settle them.

Paid-in Capital: THUS$458
Profit for the period: THUS$(54)
Stake in 2019: 100.00%
YOY variation: 0.0%
% of Holding assets: 0.00607%

Chairman of the Board:
Enrique Cueto Plaza (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

General Manager:
Gregorio Bekes (LATAM Executive)

AFFILIATE COMPANY OF LATAM TRAVEL CHILE S.A. AND STAKE

LATAM Travel Chile II S.A.

Individualization: Joint Stock Corporation established in Chile.

Purpose: The operation, management, and representation of national or foreign companies or businesses in lodging, shipping, aviation, and tourism activities in general; brokerage of tourist services, such as: (a) booking seats and selling tickets for all types of national and international transportation, (b) booking, acquisition, and sale of lodging and tourist services, and tickets to all types of entertainment, museums, monuments, and protected areas in the country, (c) organization, promotion, and sale of tourist packages, understood as the group of tourist services (food, transportation, lodging, etc.), adjusted or projected at the client's behest, at a preset price, to be operated in national territory, (d) air, land, sea, and river tourist transportation within the national territory and abroad, (e) leasing and charter of planes, ships, buses, trains, and other forms of transportation for the provision of tourist services, (f) marketing of air transportation in any form, whether of passengers, cargo, or mail, and (g) any other activity directly or indirectly related to the rendering of the above-mentioned services.

Paid-in Capital: THUS$10
Stake in 2019: 99.99%
YOY variation: 0.00%
% of Holding assets: (0.00323%)

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

General Manager:
Federico Helman (LATAM Executive)

LATAM TRAVEL S.R.L.

Incorporation: Joint Stock Corporation established in Chile

Purpose: Operation, management, and representation of national or foreign companies or businesses in the lodging, shipping, aviation, and tourism activities in general.

Paid-in Capital: THUS$0
Stake in 2019: 99.99%
YOY variation: 0.00%
% of Holding assets: (0.00011%)

Board Members:
Armando Valdivieso Montes (LATAM Executive)
Andrés del Valle Eitel (LATAM Executive)
Damián Scokin (Executive LATAM)

LAN PAX GROUP S.A. AND AFFILIATES

Incorporation: Established as a joint stock company through the Public Deed dated September 27, 2001 before Santiago Notary Patricio Zaldivar Mackenna, recorded in the Santiago Commerce Registry on page 25,636 item 20,794 on October 4, 2001, and published in the Official Gazette on October 6, 2001.

Purpose: Perform investments in all manner of goods, be they personal or real estate, tangible or intangible. Within its line of business, the Company may create other types of companies of any sort; acquire rights in already existing corporations, manage, modify, and settle them. Overall, it may acquire and sell all manner of goods and operate them, on its own behalf or for third parties, as well as perform all manner of acts and enter all manner of contracts conducive to its goals. Exercise the development and operation of all other activities derived from and/or related, connected, contributory, or complementary to the company's corporate purpose.

Paid-in Capital: THUS$425
Profit for the period: THUS$(26,551)
Stake in 2019: 99.83610%
YOY variation: 0.00%
% of Holding assets: (4.06211%)

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

General Manager:
Andrés del Valle Eitel (LATAM Executive)

AFFILIATE COMPANIES OF LAN PAX GROUP S.A. AND STAKES

Inversora Cordillera S.A. and affiliates

Individualization: Joint Stock Corporation established in Argentina.

Purpose: To perform investments on its own behalf or for third parties, or related to third parties, in other stock companies, regardless of corporate purpose, established or to be established, within the Argentine Republic or abroad, via acquisition, incorporation, or sale of stakes, shares, quotas, bonds, options, commercial paper, convertible or otherwise, other transferrable securities, or other forms of investment allowed by the applicable regulation at any given moment, either to hold them in its own portfolio, or to sell them partially or in full, as may be the case. For this purpose, the company may carry out all transactions that are not expressly forbidden by law in compliance with its corporate purpose, and it has full legal capacity to acquire rights, contract obligations, and exercise all acts that are not expressly forbidden by law or statute.

Paid-in Capital: THUS$423,207
Stake in 2019: 9.83610%
YOY variation: 0.00%
% of Holding assets: 1.93844%

Chairman of the Board: Jorge L. Perez Alati

Board Members:
Jorge L. Perez Alati (Chairman)
Manuel M. Benites (Vice-chairman)
Rosario Altgelt (Permanent member)

LATAM Travel S.A.

Individualization: Joint Stock Corporation established in Argentina.

Purpose: To perform on its own behalf or for third parties and/or in partnership with third parties, within the country and/or abroad, the following activities and transactions: A) COMMERCIAL: Carry out, intervene, develop, or design all manner of operations and activities involving the sale of airfare, land, river, and sea tickets, both nationally and abroad, or any other service related to the tourism industry in general. The aforementioned services may be carried out on its own behalf or upon request from third parties, via mandate, commission, the use of systems or methods deemed convenient for said purpose, be they manual, mechanical, electronic, telephone, or internet methods, or any other type or technology that may suit said purpose. The Company may perform ad hoc or related activities to the purpose described, such as purchase and sales, imports, exports, reexport, licensing, and representation of all manner of goods, services, know-how, and technology directly or indirectly related to the purpose described; market, by any means the technology created or whose license or patent it has acquired or manages; develop, distribute, promote, and market all types of content for mass media of any sort. B) TOURIST: Via the performance of all activities related to the tourist and lodging industry, as responsible operator or third-party service operator, or as travel agent. Via the creation of exchange, tourism, excursion, and tour programs; the brokerage and booking and rendering of services through any form of transportation within the country or abroad, and ticket sales; brokerage for hiring lodging services in the country or abroad; booking of hotels, motels, tourist apartments, and other tourist facilities; organization of trips and tourism for individuals or groups, excursions, or similar activities within the country or abroad; reception and assistance for tourists during their trip and stay in the country, provision of tour guide services, and forwarding of their baggage; representing other national or foreign travel and tourism agencies, companies, or institutions, in order to render any of these services on their behalf. C) COMMISSIONER: Via the acceptance, performance, and granting of representations, concessions, commissions, agencies, and mandates in general. D) CONSULTING: Provide consulting, support, and management services on all matters related to the organization, installation, service, development, support, and promotion of companies related to air transportation activities, but not exclusive to said activity, in the management, industrial, commercial, technical, and advertising areas, to be provided, when the nature of the issue so requires, by certified professionals per the corresponding regulation, and the provision of organization and management, care, maintenance, and surveillance services, and of the suitable personnel, especially prepared to carry out said tasks. E) FINANCIAL: Via its participation in other companies already created or to be created, either through the acquisition of shares in established companies, or through the establishment of new companies, via the awarding or securing of credits, loans, cash advances secured or unsecured by collateral or personal guarantee; the awarding of guarantees and sureties in favor of third parties for a fee or free of charge; placement of funds in foreign currency, gold or currencies, or bank deposits of any type. To achieve these purposes, the company has full legal capacity to exercise all acts not expressly forbidden by law or statue, including making borrowings publicly or privately via the issuance of debentures and tradable securities, and performing all manner of financial transactions except those comprised under Law 21,526 and any others requiring a public tender process.

Paid-in Capital: THUS$436,858
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.81207%

Board Members:
Nicolás Obejero
Diego Alejandro Martínez

Atlantic Aviation Investments LLC

Individualization: Limited Liability Company established in the United States.

Purpose: Any and all lawful business that the company may undertake.

Paid-in Capital: THUS$1
Stake in 2019: 99.00%
YOY variation: 0.00%
% of Holding assets: 0.05430%

Board Members:
Andrés del Valle Eitel

Administration:
Andrés del Valle (LATAM Executive)

LATAM-Airlines Ecuador S.A.

Individualization: Joint Stock Corporation established in Ecuador.

Purpose: Combined air transport of passengers, cargo, and correspondence.

Paid-in Capital: THUS$1,000
Stake in 2019: 55.00%

YOY variation: 0.00%
% of Holding assets: 0.00864%

Board Members:
Xavier Rivera
Maximiliano Naranjo
Daniel Leng
Professional Counsellor C.I.

Chief Executive:
Maximiliano Naranjo

Holdco Ecuador S.A

Individualization: Joint Stock Corporation established in Chile.

Purpose: Carry out all manner of investments for profitable purposes pertaining to tangible or intangible, personal or real estate assets, either in Chile or abroad.

Paid-in Capital: THUS$351,174
Stake in 2019: 99.999%
YOY variation: 0.0%
% of Holding assets: 1.65760%

Board Members:
Antonio Stagg (LATAM Executive)
Manuel Van Oordt (LATAM Executive)
Mariana Villagómez (LATAM Executive)

General Manager:
Ramiro Alfonsin Balza (LATAM Executive)

Aerovias de Integración Regional S.A., Aires S.A.

Individualization: Joint Stock Corporation established in Colombia.

Purpose: The company's corporate purpose shall be the operation of national or international commercial air transportation services, in any form, and therefore, the entering into and execution of contracts for the transportation of passengers, objects or luggage, correspondence, and cargo in general, pursuant to the operating permits issued to this effect by the Special Administrative Unit of Civil Aeronautics, or the agency that may carry out said functions in the future, adhering fully to the provisions of the Code of Commerce, the Colombian Aviation Regulations, and any other rules issued on the matter. Likewise, to provide maintenance and adaptation services for the equipment related to the operation of air transportation services within the country and abroad. In order to fulfill said purpose, the company will be authorized to invest in other national or foreign companies with purposes that are the same, similar, or complementary to the company's. To fulfill its corporate purpose, the company may, among other things: (a) review, inspect, or provide maintenance and/or repairs to its own or third-party aircraft, as well as spare parts and accessories, through the Company's Aeronautical Repair Stations, providing the necessary trainings for said purpose; (b) organize, establish, and invest in commercial transportation companies in Colombia or abroad to perform, industrially or commercially, the economic activity that is its purpose, so the company can acquire, for any purpose, airplanes, spare parts, replacements, and accessories of any kind, necessary for public air transportation, as well as sell them, and to set up and operate stations to repair and give maintenance to the aircraft; (c) enter leasing, charter, code-sharing, service rendering, or any other contracts pertaining to aircraft to exercise its purpose; (d) to operate scheduled air transport lines for passengers, cargo, correspondence, and securities, as well as the vehicle that will make it possible to coordinate the social management; (e) merge with equal, similar, or complementary companies to perform its activity; (f) accept national or foreign representations of services in the same sector or in complementary sectors; (g) acquire personal or real estate assets to develop its corporate purposes, build said facilities or constructions, such as warehouses, deposits, offices, etc., sell, or encumber them;, (h) carry out imports and exports, as well as all foreign trade operations required; (i) take money on interest and provide personal, real, and bank guarantees, either on its own behalf or for third parties; (j) participate in all manner of securities transactions, such as purchase or sale of debentures acquired by third parties when resulting in an economic or equity benefit for the company, and obtain loans through bonds or other liability instruments; (k) enter into contracts with third parties for the management and operation of the businesses it may organize to achieve its corporate purposes; (l) form partnerships and acquire shares and stakes in already established companies, both national and foreign; make contributions to one and all; (m) merge with other companies and form partnerships with similar companies to ensure provision of air transportation or for other purposes pertaining to the industry; (n) promote, provide technical assistance, finance, or manage companies or associations related to the corporate purpose; (o) carry out all manner of civil or commercial, industrial or financial contracts necessary or convenient to achieve its own purposes; (p) do business and fulfill activities that will ensure the flow of clients, and obtain the necessary authorizations and licenses from the corresponding authorities to provide its services; (q) develop and carry out any other activities resulting from and/or related, connected, contributory, or complementary to the corporate purpose, including the provision of tourist services under any and all forms allowed by law, such as travel agencies; (r) practice any business or legal activity, whether or not related to trade, as long as it is related to its corporate purpose, or that it enables a more rational operation of the public service that it will provide; and (s) make any manner of investments to employ the funds and reserves created pursuant to law or the current bylaws.

Paid-in Capital: THUS$3,389
Stake in 2019: 99.017%
YOY variation: 0.00%
% of Holding assets: 0.51220%

Board Members:
Jorge Nicolas Cortazar Cardoso (permanent member)
Jaime Antonio Gongora Esguerra (permanent member)
Jose Mauricio Rodriguez Munera (permanent member)
Gabriel Vallejo López (alternate member)
Helen Victoria Warner Sanchez (alternate member)
Santiago Alvarez Matamoros (permanent member)

Administration:
Erika Zarante Bahamon (Alternate Legal Representative)
Jaime Antonio Gongora Esguerra (Permanent Legal Representative)

Lan Argentina S.A. (A subsidiary of Inversora Cordillera S.A)

Individualization: Joint Stock Corporation established in Argentina.

Purpose: Perform, on its own behalf or for third parties, independently or in association with third parties in the country or abroad, the following activities:I) AVIATION:Air transportation in all its forms, scheduled and/or chartered (hired charter or air taxi), local or international, of persons or things, correspondence, clearing, works, and air services in general, as a public or private concession; operate public services, pilot school, and personnel training in air navigation, design, engineering, research, assembly, manufacturing, import and/or export of all sorts of aircrafts and their parts, equipment, accessories, and materials for air navigation, as well as render maintenance and technical assistance services to said crafts.II) COMMERCIAL:Through the purchase, sale, exchange, rental in all its forms, leasing, imports, and exports of all types of goods, supply and transfer of aircrafts, parts, components, accessories, materials, and inputs, brokerage in formalizing insurance to cover the risks of the services contracted, and performance of all types of commercial transactions that normally take place in airports.III) TOURIST:Through the creation, development, and operation of resorts and properties destined to lodge people, as well as tourist activities in every form, including motor vehicle rentals and tourist reservation services.IV) SERVICES:Through the rendering of maintenance and technical assistance services for all types of aircraft, equipment, accessories, and material for air navigation, computer reservation services, transportation services for people and/or cargo and/or correspondence, by land or water, as an accessory to air transportation and/or integrating a combined transportation with the latter, as well as all sorts of assistance for air navigation activities, such as the supply of food and/or elements for use on board.V) COMMISSIONS:Fulfill mandates and commissions.VI) FINANCIAL:Perform any type of financial transaction, in general, except for those provided in the Financial Institutions Act and any others requiring a public tender process.VII) REPRESENTATIONS:Of national or foreign people related to activities pertaining to its corporate purpose.VIII) INVESTING:Establish and participate in companies through shares, fostering their creation, investing in them the necessary capital for those ends, and rendering services to them within the limits established. For said purposes, the Company has full legal capacity to acquire rights, assume obligations, and exercise the acts not expressly forbidden to it by law or by these Bylaws.

Paid-in Capital: THUS$423,207
Stake in 2019: 99.00%
YOY variation: 0.00%
% of Holding assets: 1.93844%

Board Members:
Manuel Maria Benites
Jorge Luis Perez Alati
Rosario Altgelt

Administration:
Manuel María Benites
Jorge Luis Perez Alati
Rosario Altgelt
María Marta Forcada
Jeronimo Cortes
Federico Jäger
Norberto Díaz
Gregorio Bekes
Andres del Valle

TECHNICAL TRAINING LATAM S.A.

Incorporation: Established as a Joint Stock Corporation per the public deed dated December 23, 1997 in Santiago de Chile, and then recorded in the Santiago Commerce Registry on page 878 item 675 of the year 1998.

Purpose: Its corporate purpose is to provide technical training and other types of related services.

Paid-in Capital: THUS$714
Profit for the period: THUS$(282)
Stake in 2019: 99.83610%
YOY variation: 0.00%
% of Holding assets: (0.00618%)

Board Members:
Sebastián Acuto (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Hernán Pasman (LATAM Executive)

General Manager:
Guido Opazo Aneotz (LATAM Executive)

JARLETUL S.A.

Incorporation: Joint Stock Corporation established in Uruguay in November 2017.

Purpose: Its corporate purpose is the operation, management, and representation of national or foreign companies or businesses in the lodging, shipping, aviation, and tourism activities in general.

Paid-in Capital: THUS$0
Profit for the period: THUS$(90,736)
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: (0.003%)

Chairman of the Board:
Javier Norberto Macías Raschía

Board Members:
Patricia Cáceres Araya

PROFESIONAL AIRLINE SERVICES INC.

Incorporation: Company established in the United States in February 1994.

Purpose: Its corporate purpose is to provide airport staffing services.

Paid-in Capital: THUS$63
Profit for the period: THUS$1.096
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0.007%

Board Members:
Paola Penarete

LATAM FINANCE LIMITED.

Incorporation: Company established in the Caiman Islands in September 2016.

Purpose: Its purpose is to issue securitized bonds.

Paid-in Capital: THUS$0
Profit for the period: THUS$(90,736)
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: (0.79%)

Chairman of the Board:
Not applicable

Board Members:
Andrés del Valle Eitel
Ramiro Alfonsin Balza
Joaquín Arias Acuña

PEUCO FINANCE LIMITED.

Incorporation: Stock corporation established in the Caiman Islands in November 2015.

Purpose: Its purpose is to participate in aircraft financing.

Paid-in Capital: THUS$0
Profit for the period: THUS$0
Stake in 2019: 100.00%
YOY variation: 0.00%
% of Holding assets: 0%

Chairman of the Board:
Not applicable

Board Members:
Andrés del Valle Eitel
Joaquín Arias Acuña

TAM S.A. AND AFFILIATES
FINANCIAL STATEMENT

ASSETS	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Total current assets	2,583,040	2,007,830
Total non-current assets	2,456,199	2,412,716
TOTAL ASSETS	**5,039,239**	**4,420,546**

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Total current liabilities	2,558,655	1,832,796
Total non-current liabilities	941,279	1,423,221
TOTAL LIABILITIES	**3,499,934**	**3,256,017**
EQUITY		
Net equity attributable to the parent company's owners	1,537,799	1,095,695
Non-controlling interest	1,506	68,834
TOTAL EQUITY	**1,539,305**	**1,164,529**
TOTAL EQUITY AND LIABILITIES	**5,039,239**	**4,420,546**

TAM S.A. AND AFFILIATES
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Revenues from ordinary activities	5,013,294	4,650,526
Cost of sales	(4,093,465)	(3,738,101)
Gross profit (loss)	919,829	912,425
Profit (Loss) from operational activities	348,149	549,936
Profit (loss), before tax	270,031	459,740
Income tax expenses	(83,892)	(94,944)
Profit (loss) for the period	186,139	364,796
Gain (Loss) attributable to the parent company's owners	185,720	334,342
Gain (Loss) attributable to non-controlling interests	419	30,454
Profit (loss) for the period	186,139	364,796

TAM S.A. AND AFFILIATES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
PROFIT (LOSS) FOR THE PERIOD	**186,139**	**364,796**
Other components of other comprehensive income, before tax	46,522	(351,870)
Tax on accrued earnings related to components of other comprehensive income not to be classified as earnings for the period	(1,390)	1,137
Other comprehensive income	45,132	(350,733)
Total comprehensive income	231,271	14,063
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	231,271	14,063
TOTAL COMPREHENSIVE INCOME	**231,271**	**14,063**

TAM S.A. AND AFFILIATES
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling **interest** THUS$	**Total** equity THUS$
Equity			
January 1, 2019	1,095,695	68,834	1,164,529
Total comprehensive income	102,515	128,756	231,271
Total transactions with shareholders	339,589	(196,084)	143,505
Final balance of current period			
December 31, 2019	1,537,799	1,506	1,539,305

TAM S.A. AND FILIALES
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Net cash flows from operating activities	795,468	86,452
Net cash flows used in investment activities	(328,102)	40,553
Net cash flows from (used in) financing activities	(393,503)	34,262
Net increase (decrease) in cash and cash equivalents, before effect of changes in F/X rate	73,863	161,267
Effects of F/X variations on cash and cash equivalents	19,517	(174,491)
Net increase (decrease) in cash and cash equivalents	93,380	(13,224)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**319,184**	**225,804**

LAN CARGO S.A. AND AFFILIATES
FINANCIAL STATEMENT

ASSETS	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Total current assets	501,870	213,950
Total non-current assets	477,133	446,426
Total assets	979,003	660,376

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
LIABILITIES		
Total current liabilities	447,569	141,378
Total non-current liabilities	182,829	173,642
Total liabilities	630,398	315,020
EQUITY		
Net equity attributable to the parent company's owners	349,351	345,801
Non-controlling interest	(746)	(445)
Total equity	348,605	345,356
TOTAL EQUITY AND LIABILITIES	**979,003**	**660,376**

LAN CARGO S.A. AND FILIALES
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Revenues from ordinary activities	679,204	694,280
Cost of sales	(738,243)	(720,092)
Gross profit (loss)	(59,039)	(25,812)
Gain (Loss) from operational activities	14,069	(32,141)
Profit (loss), before tax	14,120	(22,801)
Income tax expenses	(9,910)	7,416
Profit (loss) for the period	4,210	(15,385)
Gain (Loss) attributable to the parent company's owners	4,674	(15,446)
Gain (Loss) attributable to non-controlling interests	(464)	61
Profit (loss) for the period	4,210	(15,385)

LAN CARGO S.A. AND FILIALES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
PROFIT (LOSS) FOR THE PERIOD	4,210	(15,385)
Total other comprehensive income not to be reclassified as Income before tax for the period	(369)	(628)
Total other comprehensive income not to be reclassified as Income before tax for the period	265	(524)
Other components of other comprehensive income, before tax	(104)	(1,152)
Tax on accrued earnings related to components of other comprehensive income not to be classified as earnings for the period	100	166
Other comprehensive income	(4)	(986)
TOTAL COMPREHENSIVE INCOME	**4,206**	**(16,371)**
Comprehensive income attributable to:		
Parent company's owners	4,670	(16,432)
Non-controlling interest	(464)	61
TOTAL COMPREHENSIVE INCOME	**4,206**	**(16,371)**

LAN CARGO S.A. AND AFFILIATES
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to Parent company's **owners** THUS$	Non-controlling **interest** THUS$	**total** equity THUS$
Equity			
January 1, 2019	345,801	(445)	345,356
Total comprehensive income	4,670	(464)	4,206
Increase (decrease)			
from transfers and other changes	(1,120)	163	(957)
Final balance of current period			
December 31, 2019	349,351	(746)	348,605

LAN CARGO S.A. AND AFFILIATES
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Net cash flows from operating activities	(11,294)	23,956
Net cash flows used in investment activities	(3,885)	133,825
	(9,232)	(105,651)
Net increase (decrease) in cash and cash equivalents, before effect of changes in F/X rate	(24,411)	52,130
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**58,317**	**82,728**

LATAM AIRLINES PERÚ S.A.
FINANCIAL STATEMENT

ASSETS	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Total current assets	481,592	379,489
Total non-current assets	37,771	39,835
Total assets	519,363	419,324

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
LIABILITIES		
Total current liabilities	508,541	406,159
Total non-current liabilities	2,131	3,062
Total liabilities	510,672	409,221
EQUITY		
Net equity attributable to the parent company's owners	8,691	10,103
Total equity	8,691	10,103
Total equity and liabilities	519,363	419,324

LATAM AIRLINES PERÚ S.A.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Revenues from ordinary activities	1,186,668	1,161,205
Cost of sales	(1,054,610)	(1,007,508)
Gross profit (loss)	132,058	153,697
Gain (Loss) from operational activities	(2,816)	27,068
Profit (loss), before tax	5,065	7,861
Income tax expenses	(8,615)	(2,444)
Profit (loss) for the period	(3,550)	5,417
Gain (Loss) attributable to the parent company's owners	(3,550)	5,417
Profit (loss) for the period	(3,550)	5,417

LATAM AIRLINES PERU S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
PROFIT (LOSS) FOR THE PERIOD	(3,550)	(5,417)
Total comprehensive income	(3,550)	(5,417)
Comprehensive income attributable to:		
Parent company's owners	(3,550)	(5,417)
TOTAL COMPREHENSIVE INCOME	(3,550)	(5,417)

LATAM AIRLINES PERU S.A.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Net cash flows from operating activities	(30,385)	10,327
Net cash flows used in investment activities	(3,630)	(829)
Net cash flows from (used in) financing activities	34,913	(40,872)
Net increase (decrease) in cash and cash equivalents, before effect of changes in F/X rate	898	(31,374)
Net increase (decrease) in cash and cash equivalents	898	(31,374)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	39,241	38,343

LAN INVERSIONES S.A.
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	1,271	1,325
Total non-current assets	58	58
Total assets	1,329	1,383

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
LIABILITIES		
Total current liabilities	5	5
Total non-current liabilities	45	45
Total liabilities	50	50
EQUITY		
Net equity attributable to the parent company's owners	1,279	1,333
Non-controlling interest	-	-
Total equity	1,279	1,333
Total equity and liabilities	1,329	1,383

LAN INVERSIONES S.A.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Revenues from ordinary activities	-	14,828
Cost of sales	-	(10,824)
Gross profit (loss)	-	4,004
Gain (Loss) from operational activities	(8)	(4,313)
Profit (loss), before tax	(54)	(4,408)
Income tax expenses	-	(366)
Profit (loss) for the period	(54)	(4,774)
Gain (Loss) attributable to the parent company's owners	(54)	(4,774)
Profit (Loss) for the period	(54)	(4,774)

LAN INVERSIONES S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	(54)	(4,774)
Total other comprehensive income not to be reclassified as Income before tax for the period	-	(778)
Total other comprehensive income not to be reclassified as Income before tax for the period	-	121
Other components of other comprehensive Income, before tax	-	(657)
Tax on accrued earnings related to components of other comprehensive Income not to be classified as earnings for the period	-	(33)
Other comprehensive income	-	(690)
Total comprehensive income	(54)	(5,464)
Comprehensive income attributable to:		
Comprehensive income attributable to parent company's owners	(54)	(5,464)
Comprehensive income attributable non-controlling interest		
TOTAL COMPREHENSIVE INCOME	(54)	(5,464)

LAN INVERSIONES S.A.
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's owners THUS$	Non-controlling interest THUS$	Total equityl THUS$
Equity			
January 1, 2019	1,333	-	1,333
Total comprehensive income	(54)	-	(54)
Final balance of current period			
December 31, 2019	1,279	-	1,279

LAN INVERSIONES S.A.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	(10)	(53)
Net cash flows used in investment activities	-	(1)
Net increase (decrease) in cash and cash equivalents, before effect of changes in F/X rate	(10)	(54)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	459	469

LATAM TRAVEL S.R.L.
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	161	18
Total assets	161	18

LIABILITIES AND EQUITY

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
LIABILITIES		
Total current liabilities	138	39
Total liabilities	138	39
EQUITY		
Net equity attributable to the parent company's owners	23	(21)
Total equity	23	(21)
Total equity and liabilities	161	18

LATAM TRAVEL S.R.L.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Revenues from ordinary activities	166	33
Gross profit (loss)	166	33
Gain (Loss) from operational activities	44	(21)
Profit (loss), before tax	44	(21)
Profit (Loss) for the period	44	(21)
Gain (Loss) attributable to the parent company's owners	44	(21)
Profit (Loss) for the period	44	(21)

LATAM TRAVEL S.R.L.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	44	(21)
Total comprehensive income	44	(21)
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	44	(21)
TOTAL COMPREHENSIVE INCOME	44	(21)

LATAM TRAVEL S.R.L.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	20	-
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	20	-
Net increase (decrease) in cash and cash equivalents	20	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20	-

LATAM TRAVEL S.R.L.
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling **interest** THUS$	**Total** equity THUS$
Equity			
January 1, 2019	(21)	-	(21)
Modified initial balance Restated	(21)	-	(21)
Total comprehensive income	44	-	44
Final balance of current period			
December 31, 2019	23	-	23

LATAM TRAVEL CHILE II S.A.
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	539	218
Total assets	539	218

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$
LIABILITIES		
Total current liabilities	1,122	822
Total non-current liabilities	99	-
Total liabilities	1,221	822
EQUITY		
Net equity attributable to the parent company's owners	(682)	(604)
Total equity	(682)	(604)
Total equity and liabilities	539	218

LATAM TRAVEL CHILE II S.A.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Profit (Loss), before tax	(78)	(1)
Profit (Loss) for the period	(78)	(1)
Gain (Loss) attributable to the parent company's owners	(78)	(1)
Profit (Loss) for the period	(78)	(1)

LATAM TRAVEL CHILE II S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	(78)	(1)
Total comprehensive income	(78)	(1)
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	(78)	(1)
TOTAL COMPREHENSIVE INCOME	(78)	(1)

LATAM TRAVEL CHILE II S.A.
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling **interest** THUS$	**Total** equity THUS$
Equity			
January 1, 2019	(604)	-	(604)
Modified initial balance Restated	(604)	-	(604)
Total comprehensive income	(78)	-	(78)
Final balance of current period			
December 31, 2019	(682)	-	(682)

LATAM TRAVEL CHILE II S.A.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	316	(1)
Net increase (decrease) in cash and cash equivalents, before effect of changes in F/X rate	316	(1)
Net increase (decrease) in cash and cash equivalents	316	(1)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	534	218

LAN PAX GROUP AND AFFILIATES
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Total current assets	312,596	307,225
Total non-current assets	320,091	218,792
Total assets	632,687	526,017

LIABILITIES AND EQUITY

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
LIABILITIES		
Total current liabilities	1,280,202	1,076,027
Total non-current liabilities	207,060	205,773
Total liabilities	1,487,262	1,281,800
EQUITY		
Net equity attributable to the parent company's owners	(856,611)	(764,371)
Non-controlling interest	2,036	8,588
Total equity	(854,575)	(755,783)
Total equity and liabilities	632,687	526,017

LAN PAX GROUP AND AFFILIATES
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Revenues from ordinary activities	741,308	784,689
Cost of sales	(680,034)	(654,047)
Gross profit (loss)	61,274	130,642
Gain (Loss) from operational activities	(81,751)	(24,449)
Profit (loss), before tax	(10,284)	(22,283)
Income tax expenses	(16,267)	(25,778)
Profit (Loss) for the period	(26,551)	(48,061)
Gain (Loss) attributable to the parent company's owners	(26,927)	(48,242)
Gain (Loss) attributable to non-controlling interests	376	181
Profit (Loss) for the period	(26,551)	(48,061)

LAN PAX GROUP AND AFFILIATES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
PROFIT (LOSS) FOR THE PERIOD	(26,551)	(48,061)
Other components of other comprehensive Income, before tax	(64,586)	(78,311)
Other comprehensive income	(64,586)	(78,311)
Total comprehensive income	(91,137)	(126,372)
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	(91,551)	(131,811)
Comprehensive income attributable to non-controlling interests	414	5,439
TOTAL COMPREHENSIVE INCOME	**(91,137)**	**(126,372)**

LAN PAX GROUP AND AFFILIATES
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners**	Non-controlling **interest**	**Total** equity THUS$
Equity			
January 1, 2019	(764,371)	8,588	(755,783)
Total comprehensive income	(91,551)	414	(91,137)
Increase (decrease)			
from transfers and other changes	(689)	(6,966)	(7,655)
Final balance of current period			
December 31, 2019	(856,611)	2,036	(854,575)

LAN PAX GROUP AND AFFILIATES
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
Net cash flows from operating activities	310,838	57,470
Net cash flows used in investment activities	(598,000)	(213,671)
Net cash flows from (used in) financing activities	341,767	187,339
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	54,604	31,138
Effects of F/X variations on cash and cash equivalents	(313)	(770)
Net increase (decrease) in cash and cash equivalents	54,291	30,368
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	118,734	64,443

HOLDCO I S.A.
FINANCIAL STATEMENT

ASSETS	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	6	6
Total non-current assets	351,586	351,586
Total assets	351,592	351,592

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$ Restated
LIABILITIES		
Total current liabilities	2,040	2,199
Total liabilities	2,040	2,199
EQUITY		
Net equity attributable to the parent company's owners	349,552	349,393
Total equity	349,552	349,393
Total equity and liabilities	351,592	351,592

HOLDCO I S.A.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Gain (Loss) from operational activities	(4)	(3)
Profit (loss), before tax	159	199
Income tax expenses	-	(5)
Profit (Loss) for the period	159	194
Gain (Loss) attributable to the parent company's owners	159	194
Profit (Loss) for the period	159	194

HOLDCO I S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	159	194
Total comprehensive income	159	194
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	159	194
TOTAL COMPREHENSIVE INCOME	159	194

HOLDCO I S.A.
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling interest THUS$	**Total** equity THUS$
Equity			
January 1, 2019	349,393	-	349,393
Total comprehensive income	159	-	159
Final balance of current period			
December 31, 2019	349,552	-	349,552

HOLDCO I S.A.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	-	(1)
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	-	(1)
Net increase (decrease) in cash and cash equivalents	-	(1)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	6

TECHNICAL TRAINING LATAM S.A.
FINANCIAL STATEMENT

ASSETS	At December 31 2019 THUS$	At December 31 2018 THUS$
Total current assets	1,610,212	1,839,377
Total non-current assets	170,347	161,810
Total assets	1,780,559	2,001,187

LIABILITIES AND EQUITY	At December 31 2019 THUS$	At December 31 2018 THUS$
LIABILITIES		
Total current liabilities	358,436	175,250
Total non-current liabilities	445,791	541,154
Total liabilities	804,227	716,404
EQUITY		
Net equity attributable to the parent company's owners	976,332	1,284,783
Non-controlling interest	-	-
Total equity	976,332	1,284,783
Total equity and liabilities	1,780,559	2,001,187

TECHNICAL TRAINING LATAM S.A.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 2019 THUS$	At December 31 2018 THUS$
Revenues from ordinary activities	853,443	1,520,871
Cost of sales	(1,005,473)	(904,978)
Gross profit (loss)	(152,030)	615,893
Gain (Loss) from operational activities	(214,704)	560,515
Profit (loss), before tax	(150,965)	645,620
Income tax expenses	(55,375)	(31,864)
Profit (Loss) for the period	(206,340)	613,756
Gain (Loss) attributable to the parent company's owners	(206,340)	613,756
Profit (Loss) for the period	(206,340)	613,756

TECHNICAL TRAINING LATAM S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	(206,340)	613,756
Other components of other comprehensive Income, before tax	(102,111)	(313,093)
Other comprehensive income	(102,111)	(313,093)
Total comprehensive income	(308,451)	300,663
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	(308,451)	300,663
TOTAL COMPREHENSIVE INCOME	(308,451)	300,663

TECHNICAL TRAINING LATAM S.A.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	422,825	(349,115)
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	422,825	(349,115)
Effects of F/X variations on cash and cash equivalents	-	41,341
Net increase (decrease) in cash and cash equivalents	422,825	(307,774)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	914,798	491,973

TECHNICAL TRAINING LATAM S.A.
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling **interest** THUS$	**Total** equity THUS$
Equity			
January 1, 2019	1.284.783	-	1,284,783
Total comprehensive income	(308.451)	-	(308,451)
Final balance of current period			
December 31, 2019	976.332	-	976,332

JARLETUL S.A.
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	124	18
Total non-current assets	26	-
Total assets	150	18

LIABILITIES AND EQUITY	At December 31 **2019** THUS$	At December 31 **2018** THUS$
LIABILITIES		
Total current liabilities	860	125
Total liabilities	860	125
EQUITY		
Net equity attributable to the parent company's owners	(710)	(107)
Total equity	(710)	(107)
Total equity and liabilities	150	18

JARLETUL S.A.
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Revenues from ordinary activities	162	11
Cost of sales	1	-
Gross profit (loss)	163	11
Gain (Loss) from operational activities	(603)	(107)
Profit (loss), before tax	(603)	(107)
Profit (Loss) for the period	(603)	(107)
Gain (Loss) attributable to the parent company's owners	(603)	(107)
Profit (Loss) for the period	(603)	(107)

JARLETUL S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	(603)	(107)
Total comprehensive income	(603)	(107)
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	(603)	(107)
TOTAL COMPREHENSIVE INCOME	(603)	(107)

JARLETUL S.A.
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling **interest** THUS$	**Total** equity THUS$
Equity			
January 1, 2019	(107)	-	(107)
Total comprehensive income	(603)	-	(603)
Final balance of current period			
December 31, 2019	(710)	-	(710)

JARLETUL S.A.
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	133	16
Net cash flows used in investment activities	(26)	-
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	107	16
Net increase (decrease) in cash and cash equivalents	107	16
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	123	16

PROFESSIONAL AIRLINE SERVICES INC
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	22,404	2,450
Total assets	22,404	2,450

LIABILITIES AND EQUITY

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
LIABILITIES		
Total current liabilities	2,845	1,987
Total liabilities	2,845	1,987
EQUITY		
Net equity attributable to the parent company's owners	1,559	463
Total equity	1,559	463
Total equity and liabilities	4,404	2,450

PROFESSIONAL AIRLINE SERVICES INC
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Revenues from ordinary activities	28,599	8,223
Cost of sales	(27,177)	(7,799)
Gross profit (loss)	1,422	424
Gain (Loss) from operational activities	1,198	381
Profit (loss), before tax	1,198	381
Income tax expenses	(102)	(183)
Profit (Loss) for the period	1,096	198
Gain (Loss) attributable to the parent company's owners	1,096	198
Profit (Loss) for the period	1,096	198

PROFESSIONAL AIRLINE SERVICES INC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	1,096	(198)
Total comprehensive income	1,096	(198)
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	1,096	(198)
TOTAL COMPREHENSIVE INCOME	1,096	(198)

PROFESSIONAL AIRLINE SERVICES INC
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners**	Non-controlling **interest**	**Total** equity THUS$
Equity			
January 1, 2019	463	-	463
Total comprehensive income	1,096	-	1,096
Final balance of current period			
December 31, 2019	1,559	-	1,559

PROFESSIONAL AIRLINE SERVICES INC
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	4	(1,337)
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	4	(1,337)
Net increase (decrease) in cash and cash equivalents	4	(1,337)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,645	1,641

LATAM FINANCE LIMITED
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	1,362,762	622,017
Total non-current assets	-	57,017
Total assets	1,362,762	679,034

LIABILITIES AND EQUITY

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
LIABILITIES		
Total current liabilities	29,419	58,905
Total non-current liabilities	1,501,819	697,869
Total liabilities	1,531,238	756,774
EQUITY		
Net equity attributable to the parent company’s owners	(168,476)	(77,740)
Total equity	(168,476)	(77,740)
Total equity and liabilities	1,362,762	679,034

LATAM FINANCE LIMITED
CONSOLIDATED INCOME STATEMENT BY FUNCTION

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Revenues from ordinary activities	509	773
Cost of sales	(91,930)	(48,496)
Gross profit (loss)	(91,421)	(47,723)
Gain (Loss) from operational activities	(90,736)	(47,723)
Profit (loss), before tax	(90,736)	47,723
Profit (Loss) for the period	(90,736)	47,723
Gain (Loss) attributable to the parent company's owners	(90,736)	(47,723)
Profit (Loss) for the period	(90,736)	(47,723)

LATAM FINANCE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
PROFIT (LOSS) FOR THE PERIOD	(90,736)	(47,723)
Total comprehensive income	(90,736)	(47,723)
Comprehensive income attributable to:		
Comprehensive income attributable to the parent company's owners	(90,736)	(47,723)
TOTAL COMPREHENSIVE INCOME	(90,736)	(47,723)

LATAM FINANCE LIMITED
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Net equity attributable to the parent company's **owners** THUS$	Non-controlling **interest** THUS$	**Total** equity THUS$
Equity			
January 1, 2019	(77,740)	-	(77,740)
Total comprehensive income	(90,736)	-	(90,736)
Final balance of current period			
December 31, 2019	(168,476)	-	(168,476)

LATAM FINANCE LIMITED
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	(2,093)	(9)
Net cash flows used in investment activities	(786,262)	13,348
Net cash flows from (used in) financing activities	775,612	-
Net increase (decrease) in cash and cash equivalents	(12,743)	13,339
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,083	13,826

PEUCO FINANCE LIMITED
FINANCIAL STATEMENT

ASSETS

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Total current assets	664,458	609,191
Total assets	664,458	609,191

LIABILITIES AND EQUITY

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
LIABILITIES		
Total current liabilities	664,458	608,191
Total liabilities	664,458	608,191
Total equity and liabilities	664,458	608,191

PEUCO FINANCE LIMITED
CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

	At December 31 **2019** THUS$	At December 31 **2018** THUS$
Net cash flows from operating activities	(104,392)	(608,191)
Net Increase (decrease) In cash and cash equivalents, before effect of changes in F/X rate	(104,392)	(608,191)
Net increase (decrease) in cash and cash equivalents	(104,392)	(608,191)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(104,392)	(608,191)

Analysis of the financial statements

Comparative analysis and explanation of main trends:

1. CONSOLIDATED FINANCIAL STATEMENT

At December 31, 2019, the Company's assets totaled THUS$21,087,806 which, compared to the value at December 31, 2018, represents a THUS$1,009,084 decrease (4,8%).

The Company's current assets increased by THUS$742,367 (22,7%), compared to yearend 2018. The main increases were seen in the following segments: Sundry debtors and accounts receivables, current, for THUS$81,766 (7.0%), Other financial assets, current, worth THUS$115,520 (30.1%), Current inventories for THUS$74,888 (26.8%), Other non-financial assets, current, for THUS$22,973 (7.9%), and Non-current assets or groups of assets classified as held for sale or held for distribution to owners for THUS$479,382. These line items we compensated by the decrease in: Cash and cash equivalents for THUS$9,063 (0.8%), and Current Tax Assets for THUS$39,813 (57.6%)

The Company's liquidity index showed an increase, going from 0.55 times at yearend 2018 to 0.58 times at December 2019. Current assets increased 22.7% while Current liabilities did so by 17.3%. Moreover, we can see that the quick ratio decreased from 0.18 times at yearend 2018 to 0.15 times at the yearend 2019.

The Company's Non-current assets increased by THUS$266,717 (1.6%) vs. yearend 2018. The main increase was seen in the Property, plant, and equipment line item for THUS$417,809 (3.3%), which translates mainly into the additions worth THUS$2,519,305, compensated by the spending from depreciation in 2019, totaling THUS$1,221,991 and the reclassification from this line item to non-current assets and groups in unlawful appropriation held for sale. Another line item of Non-Current Assets with increases is Intangible assets other than goodwill for THUS$7,169 (0.5%), among other movements in the year. The remaining line items of Non-Current Assets decreased in the year.

Moreover, the assets reflect the effects of the adoption of IFRS 16, worth BN US$2.51.

At December 31, 2019, the Company's liabilities totaled THUS$17,958,629 which, compared to the value as at December 31, 2018, represents a THUS$1,320,508 increase, equivalent to 7.9%.

The Company's current liabilities increased by THUS$1,028,693 (17.3%), compared to yearend 2018. The main increases were seen in the following line items: Other financial liabilities, current, for THUS$91,374 (5.1%), Trade accounts payable and other payables for THUS$548,571 (32.8%), and Other non-financial liabilities, current, for THUS$380,475 (15.5%).

The indebtedness indicator of the Company's Current Liabilities increased 2.22% vs. yearend 2018. The impact of current Liabilities on total debt increased by 3.11 percentage points, from 35.65% at yearend 2018 to 38.76% at the end of the current period.

The Company's non-current Liabilities increased by THUS$291,815 (2.7%), compared to the sum reached by December 31, 2018. The main increases were seen in the following line items: Other financial liabilities, non-current, for THUS$170,956 (2.0%), Accounts payable, non-current, for THUS$89,833 (17.0%), and Other non-financial liabilities, non-current, for US$206,681 (32.1%). This was compensated by a decrease in Liabilities from deferred taxes, totaling THUS$169,768 (21.6%), among other movements in the year.

The Company's non-current Liabilities' indebtedness indicator shows a 10.0% increase from 3.19 times at December 31, 2018, to 3.51 times at December 31, 2019. The impact of non-current Liabilities on total debt decreased by 3.1 percentage points from 64.35% at yearend 2018 to 61.24% at December 2019.

The Company's liabilities were affected by the effects of the adoption of IFRS 16, which were incorporated recognizing THUS$2,818.

The indicator of the Company's total indebtedness over Equity increased by 16.0% from 4.95 times at yearend 2018 to 5.74 times at the end of the current period.

At December 31, 2019, roughly 62% of the debt has a fixed rate or is linked to one of the financial hedging instruments arranged. The average rate on the debt is 4.63%.

The Equity attributable to the controlling shareholders decreased by THUS$229,911, from THUS$3,360,693 at December 31, 2018 to THUS$3,130,782 at December 31, 2019.
The decrease was seen in: Other reserves for THUS$363,212, mainly resulting from: the negative effect of the variation in Reserves from differences in currency translation for THUS$233,643, and in the Transactions with minority holders, explained by the loss resulting from the acquisition of the minority stake in Multiplus S.A. for THUS$(184,135), compensated by the increase in the accrued result, from the net effect between: the result of the year 2019, attributable to the controlling shareholders, corresponding to a profit of THUS$190,430; and the provision on the results of the year 2019 corresponding to 30% of the mandatory minimum dividends, worth THUS$57,129.

The effect of the adoption of IFRS 16 on the equity was a decrease of MMUS$306.

2. CONSOLIDATED INCOME STATEMENT

At December 31, 2019, the controlling company reported a THUS$190,430 gain, translating into a THUS$119,381 change in income vs. the previous year's THUS$309,811. Net margin decreased from 3.0% to 1.8% during 2019.

The operating income for the year 2019 amounts to THUS$741,602 million which, compared to 2018, shows a THUS$145,382 decrease, equivalent to 16.4%, whereas the operating margin settled at 7.1%, showing a 1.5 percentage-point decline.

Operating income at December 31, 2019, increased 0.6% vs. the same period of 2018, totaling THUS$10,430,927.This was due to a 3.4% increase in passenger revenues, largely countered by a 10.3% drop in Cargo revenues, and a 2.37% decrease in Other income. The effect of the Brazilian real's depreciation represents lower ordinary revenues worth around US$225 million.

PAX revenues totaled THUS$9,005,629 billion which, compared to the THUS$8,708,988 from the twelve months of 2018, translates into a 3.4% increase. This change is mainly due to the 4.1% increase in capacity measured in ASK. This is compensated by a 0.6% decrease in RASK as a result of the 1.1.% reduction in yields, which were affected by the worst macroeconomic scenario in South America and by the depreciation and volatility of local currencies (especially the Brazilian real, and the Chilean and Argentinean peso). Moreover, the load factor reached 83.5%, in 2019, translating into a 0.4 percentage-point increase from the previous year.

At December 31, 2019, Cargo revenues reached THUS$1,064,434, translating into a 10.3% decrease vs. 2018. This lower income answers to an 8.8% drop in the yields and a 1.6% decline in traffic measured in RTK. The yield decrease reflects a weakening in the markets, particularly in Brazil and Argentina; in addition, exports in Chile were affected as a result of the social events that took place in the last quarter of 2019. On the other hand, the sale of Mexican affiliate MasAir during the last quarter of 2018 reduced revenues by around US$37 million during 2019 compared to 2018; moreover, capacity measured in ATK decreased by 2.2%.

The Other revenues item shows a THUS$111,894 decrease, mainly due to the acquisition and subsequent merger of Multiplus and TAM Linhas Aereas S.A.; on the other hand, the first quarter of 2018 witnessed gains from the sale of aircrafts.

At December 31, 2019, Operating costs totaled THUS$9,689,325 which, compared to 2018, translate into higher costs by THUS$208,095, equivalent to a 2.2% increase, whereas unit cost per ASK decreased by 1.8%. Furthermore, the effect of the Brazilian Real's depreciation on this line item translates into lower costs by roughly US$185 million. Item variations are explained as follows:

a) Compensations and benefits decreased by THUS$25,207, mainly due to the depreciation of local currencies, (particularly the Brazilian real, and the Chilean and Argentinean peso), partly countered by an average increase in the number of flight crew during the year.

b) Fuel decreased by 1.8%, equivalent to THUS$54,020.This drop is mainly the result of a 9.1% reduction in unhedged prices, partly countered by a 5.6% increase in consumption measured in gallons. The Company recognized a loss of THUS$23,110 in 2019 due to fuel hedges, compared to a THUS$28,993 gain in 2018.

c) Fees show a THUS$622 decrease, mainly due to the drop in cargo sales and adjustments in the percentages of sales agents' commissions, compensated by a 7.8% increase in the number of passengers transported and greater sales through agencies in the corporate passenger market. Both effects combined translate into a 0.3% drop in costs in 2019 vs. 2018.

d) Depreciation and Amortization increased by THUS$97,348 in 2019. This change is mainly explained by the fleet movements with the addition of 23 Airbus A320 family, 4 Airbus A350 family, and 2 Boeing 787 airplanes.

e) The Other Leases and Landing Fees rose by US$68,978, mostly due to an increase in passengers transported and greater costs related to Variable Handling operations.

f) Passenger Services decreased by THUS$18,949, which translates into a 6.8% variation, mainly explained by lower costs from passenger compensations and reimbursements paid during 2019.

g) Maintenance reported higher costs by THUS$77,984, equivalent to a 21.3% increase, mainly resulting from a greater number of airplanes in 2019.

h) Other Operating Costs show a THUS$62,583 increase, mainly due to tax recoveries in Brazil by the end of 2018.

Financial revenues totaled THUS$26,283 which, compared to the THUS$53,253 million in 2018, translates into lower income by THUS$26,970, mainly due to returns on Multiplus' financial investments in 2018.

Financial costs increased 9.4%, totaling THUS$589,934 by December 2019. The variation is mainly the effect of higher costs from securitization and bank interest expenses.

Other income/costs up to December 31, 2019, reported a negative result of THUS$36,035 and a positive one of THUS$14,565 in 2018. Both years reflect currency exchange losses of US$33 and US$38 million, respectively, which in 2018 was compensated by the revenues obtained from the sale of the Andes Airport Services and Mas Air affiliates.

The main line items in the Consolidated Financial Statement of TAM S.A. and Affiliates, which caused a THUS$53,620 currency exchange loss at December 31, 2019, are as follows: Other financial liabilities; THUS$75 loss from USD-denominated loans and financial leasing for fleet acquisitions; net accounts receivable and payable to related companies, totaling a loss of THUS$7,423, and net accounts receivable and payable to third parties, totaling a loss of THUS$39,399. The other net assets and liabilities line items generated a THUS$6,723 loss.

3. ANALYSIS AND EXPLANATION OF CONSOLIDATED NET CASH FLOW GENERATED BY OPERATION, INVESTMENT, AND FINANCING ACTIVITIES

Cash flow from Operation Activities as at December 31, 2019 shows a positive variation of THUS$753,351, compared to the same period a year earlier, mainly due to positive variations in: Cash receipts from the sale of goods and rendering of services totaling THUS$291,528, Other cash receipts from operation activities totaling US$32,584; Supplier payments for goods provided and Payments to and on behalf of employees, whose positive variations are the result of lower payments made, totaling THUS$111,129 and US$144,216, respectively; and Other cash inflows and outflows totaling THUS$201,674. The positive variations in the abovementioned concepts are compensated by negative variations in: Other payments from operation activities totaling THUS$11.655 and reimbursements of Income Taxes worth THUS$16,125.

The positive variation of THUS$201,674 in Other cash inflows and outflows, from Operating Cash Flows, is the result of the net effect between: The compensation received from Delta Air Lines Inc. totaling THUS$350,000; the increase in payments made on fuel derivatives totaling THUS$113,128, and the decrease in assurances and others, totaling THUS$35,198.

The flow of Investing Activities showed a negative variation of THUS$1,060,839 compared to the same period of the previous year. This variation is mainly explained by: the increase in Purchases of property, plant, and equipment totaling THUS$615,914 ; the decrease in Sums from the sale of property, plant, and equipment totaling THUS$173.431; the net effect on Other cash receipts and payments on the sale and purchase of equity or debt instruments from other companies, resulting from the increase in investments made in private Equity Funds totaling THUS$165,677, compared to the previous year; the increase in Purchases of intangible assets totaling THUS$43,967; the decrease in Cash flows from the loss of control of subsidiaries or other businesses totaling THUS$69,724, as there were no sales of affiliates during 2019, compared to the sale during 2018 of the following affiliates: Andes S.A. for US$39.10 million, Rampas Andes for THUS$1,150, and Mas Air for THUS$29.466. The negative changes described were compensated by the positive variation in Interest earned, totaling THUS$7,647, and other cash inflows or outflows worth THUS$227.

The Flow from Financing Activities showed a positive change of THUS$265,076 , compared to the same period of a year earlier, explained mainly by the positive variation in Sums from loans totaling THUS$802,666, and the decrease in dividends paid by THUS$17,504, corresponding to the net effect resulting from: The increase in dividends paid by LATAM Airlines Group S.A. and Affiliates by THUS$8,525 and the THUS$26,029 million decrease as, during 2019, the affiliate Multiplus S.A. made no payments under this concept, given the purchase of the minority stake in this affiliate by TAM Linhas Aereas S.A. The purchase of the minority stake in Multiplus S.A. also led to an increase in Payments from changes in ownership in subsidiaries that do not result in a loss of control, totaling THUS$294,103 million, together with the increases in Payments on Loans and Payments on financial leasing liabilities by THUS$147,660, interest paid by THUS$10,574, and the decrease in Other cash inflows and outflows by THUS$102,757, compensated the positive variation in Cash Flow from Financing Activities.

The flows from loans described above include the following events:

a) On February 11, 2019, LATAM Finance Limited, a limited liability company established in the Caiman Islands and exclusively owned by LATAM Airlines Group S.A., issued on the international market, under Standard 144-A and Regulation S of the US securities act, unsecured long-term bonds called LATAM 2026 for a notional amount of US$600,000,000 at an annual interest rate of 7.00%. The bonds were placed at an issuance price of 99.309% of their par value. The bonds have biannual interest payments and full capital amortization at maturity, the maturity date being March 1st, 2026. As was announced to the market, the goal of the issuance and placement was for general corporate financing purposes.

b) On June 6, 2019, LATAM Airlines Group S.A. issued on the local market (Santiago Stock Exchange) unsecured long-term bonds called Series E (BLATM-E), corresponding to the first series of bonds charged to the line registered in the Registry of the Financial Market Commission ("CMF", for its Spanish acronym), under N° 921 dated November 26, 2018, for a total of UF9,000,000.

The total sum issued was UF5,000,000 at an annual coupon rate of 3.60% with biannual interest payments and maturing on April 15, 2029. The placement rate was 2.73%, equivalent to THUS$215,093.

Of the funds raised through the placement, 50% were destined to refinancing liabilities, 30% to financing investments, and 20% for general corporate purposes.

c) On July 11, 2019, LATAM Finance Limited, a limited liability company established in the Caiman Islands and exclusively owned by LATAM Airlines Group S.A., issued a re-opening of the LATAM 2026 bond, issued on February 11, 2019, for US$200,000,000.This reopening had a placement rate of 5.979%.

Simultaneously, on July 11, 2019, LATAM Airlines Group S.A. announced the repurchase of up to US$300 million of the unsecured bond LATAM

2020, issued on June 9, 2015, for US$500 million at a coupon rate of 7.25% and maturing in June 2020. The buyback price of the offer was 103.8 cents per dollar of the face value of the bonds offered up to July 24, 2019; after that date and up to August 7, 2019, the buyback price offered decreased to 100.8 cents per dollar. At maturity of the offer, a total of US$238,412,000 of the bonds were repurchased, US$238,162,000 of were recovered on or prior to July 24, 2019, and US$250,000 after that date.

The income from the reopening of the LATAM 2026 bond was used to pay for part of the public tender of the LATAM 2020 bond. The remainder of the public tender was paid in cash.

On December 17, 2019, LATAM Airlines Group S.A. completed the repurchase of the balance (US$262 million) of the LATAM 2020 unsecured bond which, added to the buyback from July 11, 2019, totaled the balance of the bond. The buyback was performed through the so-called “Make-Whole” call mechanism, which is a right that the issuer of the bond has to buy back the outstanding debt balance, based on a price calculated using the US Treasury bonds with a similar maturity to the callable bond and adding a spread. The buyback price was 102.45 cents per dollar of the nominal sum of the bonds.

Last, the Company’s net cash flow as at December 31, 2019, prior to the effects of exchange rate differences, shows a negative variation of THUS$42,412, compared to the same period of a year earlier.

4. FINANCIAL RISK ANALYSIS

The goal of the Company’s global risk management program is to minimize the adverse effects of the financial risks that affect the company.

(a) Market risk

Given the nature of its business, the Company is exposed to market factors, such as: (i) fuel price risk, (ii) interest rate risk, and (iii) local exchange rate risk.

(i) Fuel price risk

To carry out its operations, the Company purchases fuel known as USGC 54 grade Jet Fuel, which is subject to variations in international fuel prices.

To hedge against fuel risk exposure, the Company trades in derivatives instruments (Swaps and Options) whose underlying assets may be different from Jet Fuel, whereby it is possible to hedge in West Texas Intermediate crude oil (“WTI”), Brent crude oil (“BRENT”), and distilled Heating Oil (“HO”), which are closely related to Jet Fuel and have greater liquidity.

At December 31, 2019, the Company recognized THUS$23,138 in losses on fuel hedges, net of premiums. Part of the spreads resulting between the lower and higher market value of these contracts is recognized as a hedge reserves component in the Company’s net equity. At December 31, 2019, the market value of existing contracts stood at THUS$48,542 (positive).

(ii) Exchange rate risk

The functional currency, also used in presenting the Parent Company’s Financial Statements, is the US dollar; therefore, Transactional and Conversion exchange rate risks are mainly a result of the operating activities of the business, as well as the Company’s strategic and accounting activities, which are presented in monetary units other than the functional currency.

LATAM’s Affiliates are also exposed to exchange rate risk, whose impact affects the Company's Consolidated Result.

The greatest exposure to exchange rate risk for LATAM comes from the concentration of businesses in Brazil, as they are mainly denominated in Brazilian Reals (BRL), and it is managed actively by the Company.

The Company minimizes exchange risk exposure by contracting derivative instruments or through natural hedges or the execution of internal transactions.

At December 31, 2019, the market value of FX positions totaled THUS$41 (negative).

During the period ended on December 31, 2019, the Company recognized a gain of THUS$1,907 from F/X hedges net of premiums. Part of the spreads resulting between the lower and higher market value of these contracts is recognized as a hedge reserves component in the Company’s net equity. At December 31, 2019, the Company has active derivatives FX contracts worth US$15 million.

During 2018, the company contracted FX derivatives which were not recorded under hedge accounting. At December 31, 2019, the sum recognized under results totals THUS$6,183 (negative) net of premiums.

The Company has signed cross-currency swaps (CCS) to dollarize the cash flows of existing obligations, both contracted in Chile's inflation-linked units (Unidades de Fomento, UF), with a fixed interest rate. Through this financial instrument, it is possible to pay an interest rate in dollars, both fixed and floating (LIBOR plus a fixed spread).

At December 31, 2019, the market value of the CCS positions totaled THUS$22,662 (negative).

(iii) Interest rate risk

The Company is exposed to variations in interest rates on the markets, affecting the future cash flows of its current and future financial assets and liabilities.

The Company is mainly exposed to the London Inter Bank Offer Rate ("LIBOR") and other less relevant interest rates, such as Brazilian Interbank Deposit Certificates ("CDI").

In order to reduce the risk from an eventual hike in interest rates, the Company has entered interest rate swap contracts. With regard to said contracts, the Company pays and receives, or only receives, as may be the case, the spread between the agreed fixed rate and the floating rate calculated on the capital outstanding in each contract. For these contracts, the Company recognized in the results of this period a US$1.80 million loss. Losses and gains on interest rate swaps are recognized as a component of the financial expense over the amortization of the hedged loan. At December 31, 2019, the market value of the existing interest rate swap contracts was THUS$2,618 (positive).

At December 31, 2019, roughly 62% of the debt has a fixed rate or is linked to one of the abovementioned instruments. The average debt rate is 4.63% including the rate hedge.

(b) Concentration of credit risk

A high percentage of the Company's accounts receivables comes from passengers, cargo services for individuals, and various trade companies that are spread out both economically and geographically; thus, they are generally short term. Thereby, the Company is not exposed to a significant concentration of credit risk.

5. ECONOMIC ENVIRONMENT

In order to analyze the economic environment in which the Company exists, below we present a brief explanation of the situation and evolution of the main economies that affect it nationally, regionally, and worldwide.

During 2019, the growth of global activity has slowed down, as a result of higher trade barriers, uncertainty in the international trade scenario together with the geopolitical situation, and various idiosyncratic factors that cause macroeconomic tensions in emerging markets. All this is partly countered by the expansionary monetary policies both of emerging and developed economies.

Global growth is expected to reach 2.9% in 2019, 3.3% in 2020, and 3.4% in 2021, showing a 0.1 percentage point ("p.p.") contraction in 2019 and 2020, and 0.2 p.p. in 2021, compared to the latest forecast by the International Money Fund. This contraction is mainly due to slower than expected performance from developing economies (mainly Brazil, India, Mexico, Russia, and Turkey). On the other hand, growth is driven by the fact that the emerging economies have maintained a sound performance, even though economies such as China continue to slow down. Moreover, the effects of the monetary stimulus, transversally both within developed and emerging economies, are expected to have a positive effect on global growth.

The United States is expected to achieve moderate growth of 2.3% in 2019, 2.0% in 2020 (0.1 p.p. lower than previously expected), and 1.7% in 2021, and its slower growth reflects the return to a neutral fiscal policy.

As for Europe, growth is expected to increase from 1.2% in 2019 to 1.3% in 2020 (0.1 p.p. less than in the FMI's October estimates), and to 1.4% in 2021. The growth of external demand is expected to be the main factor of this acceleration. Growth estimates for France and Italy remained, but those for Germany were downwardly revised for 2020, as manufacturing activity remains on a contracting trend since late 2019. Moreover, the Spanish economy remains affected by a greater than expected slowdown in domestic demand and exports during 2019. The United Kingdom's growth remained unchanged from the last estimate, awaiting an orderly exit from the European Union, followed by a gradual transition to a new economic relationship.

On the other hand, the Latin American economy is expected to recover from an estimated growth of 0.1% in 2019, to 1.6% in 2020 and 2.3% in 2021, albeit below the FMI's last estimates by 0.2 p.p. and 0.1 p.p. for 2020 and 2021, respectively. Downward revisions are the result of downward adjustments to Mexico's growth outlook, due to an ongoing weakening in investment, and of the effect that the protests witnessed in the last few months could have on Chile. These drops are countered by increased optimism regarding growth in Brazil, mainly due to the improvements followed by the pensions reform and fewer disruptions in the mining sector. Along this line, Brazil's GDP growth for 2019, 2020, and 2021 is expected to reach 1.2%, 2.2%, and 2.3%, respectively (a +0,2 p.p. adjustment for 2020 and -0,1 p.p. for 2021 compared to the last estimates), while for Chile, GDP is expected to have grown 1.0% in 2019 (-1,5 p.p. vs. the previous estimate), while 2020 growth also suffered a significant downward revision.

In this economic environment, the flexibility of the business model that the Company has implemented is essential to better face the economic fluctuations.

a) Below, we are presenting the main financial indicators in the Consolidated Financial Statement:

		Restated
	31-12-2019	**31-12-2018**
Liquidity indicators		
Current liquidity (times) (Current assets in operation/current Liability	0.58	0.55
Quick ratio (times) (Funds available/ current liabilities)	0.15	0.18
Indebtedness indicators		
Indebtedness ratio (times) (Current liabilities+non-current liabilities/ Net equity)	5.74	4.95
Current debt/ Total debt (%)	38.76	35.65
Non-current debt/ Total debt (%)	61.24	64.35
Hedging of financial expenses (R.A.I.I. / financial expenses)	1.25	1.86
Activity indicators		
Total Assets	21,087,806	20,078,722
Investments	5,408,511	4,203,546
Disposal of property	4,111,655	3,861,485

Profitability indicators

Profitability indicators are calculated on equity and income attributable to Majority Shareholders.

		Restated
	31-12-2019	**31-12-2018**
Return on Equity	0.06	0.09
(Net income / average net equity)	0.01	0.02
Rendimiento de activos operacionales (Resultado neto/ activos operacionales (**) Promedio	0.01	0.02

(**) Total de activos menos impuestos diferidos, cuentas corrientes del personal, inversiones permanentes y temporales, y plusvalía.

		Restated
	31-12-2019	**31-12-2018**
Earnings per share (Net income/ no. of paid-in shares)	0.31	0.51
Dividend returns (Dividends paid/ market price)	0.00	0.00

b) Below, we present the main financial indicators in the Consolidated Financial Statement.

	For the 12 months ended on December 31	
		Restated
	31-12-2019	31-12-2018
	THUS$	THUS$
Operating income	**10,430,927**	**10,368,214**
Passengers	9,005,629	8,708,988
Cargo	1,064,434	1,186,468
Others	360,864	472,758
Operating Costs	**(9,689,325)**	**(9,481,230)**
Compensation	(1,794,762)	(1,819,969)
Fuel	(2,929,008)	(2,983,028)
Fees	(221,884)	(222,506)
Depreciation and Amortization	(1,469,976)	(1,372,628)
Other Leasing and Landing Fees	(1,275,859)	(1,206,881)
Passenger Services	(261,330)	(280,279)
Maintenance	(444,611)	(366,627)
Other Operating Costs	(1,291,895)	(1,229,312)
Operating result	**741,602**	**886,984**
Operating Margin	**7.1%**	**8.6%**
Financial Revenues	26,283	53,253
Financial costs	(589,934)	(539,137)
Other Revenues / Costs (*)	(36,035)	14,565
Earnings before interest and taxes	**141,916**	**415,665**
Taxes	53,697	(73,879)
Profit/loss before minority interest	**195,613**	**341,786**
Attributable to:		
Gain/(Loss) attributable to the parent company's owners	190,430	309,811
Gain/(Loss) attributable to non-controlling interests	5,183	31,975
Gain/(Loss) for the period	**190,430**	**309,811**
Net Margin	**1.8%**	**3.0%**
Effective Tax Rate	**-37.8%**	**-17.8%**
Total shares	606,407,693	606,407,693
Gain/(Loss) per share (US$)	0.31	0.51
EBITDA	**2,170,360**	**2,242,202**

(*) Other income/expenses considers the line items Other gains (losses), Exchange differences, and Results from readjustment units presented in the consolidated financial statement by function.

Sworn statement

As directors, chief executive officer (CEO), and chief financial officer (CFO) of LATAM Airlines Group, we acknowledge our responsibility regarding the veracity of the information contained in the LATAM Integrated Report 2019.

Ignacio Cueto Plaza
President

Nicolas Eblen Hirmas
Director

Carlos Heller Solari
Vice-president

Patrick Horn
Director

Eduardo Novoa Castellón
Director

Sonia Villalobos
Director

Enrique Cueto Plaza
Director

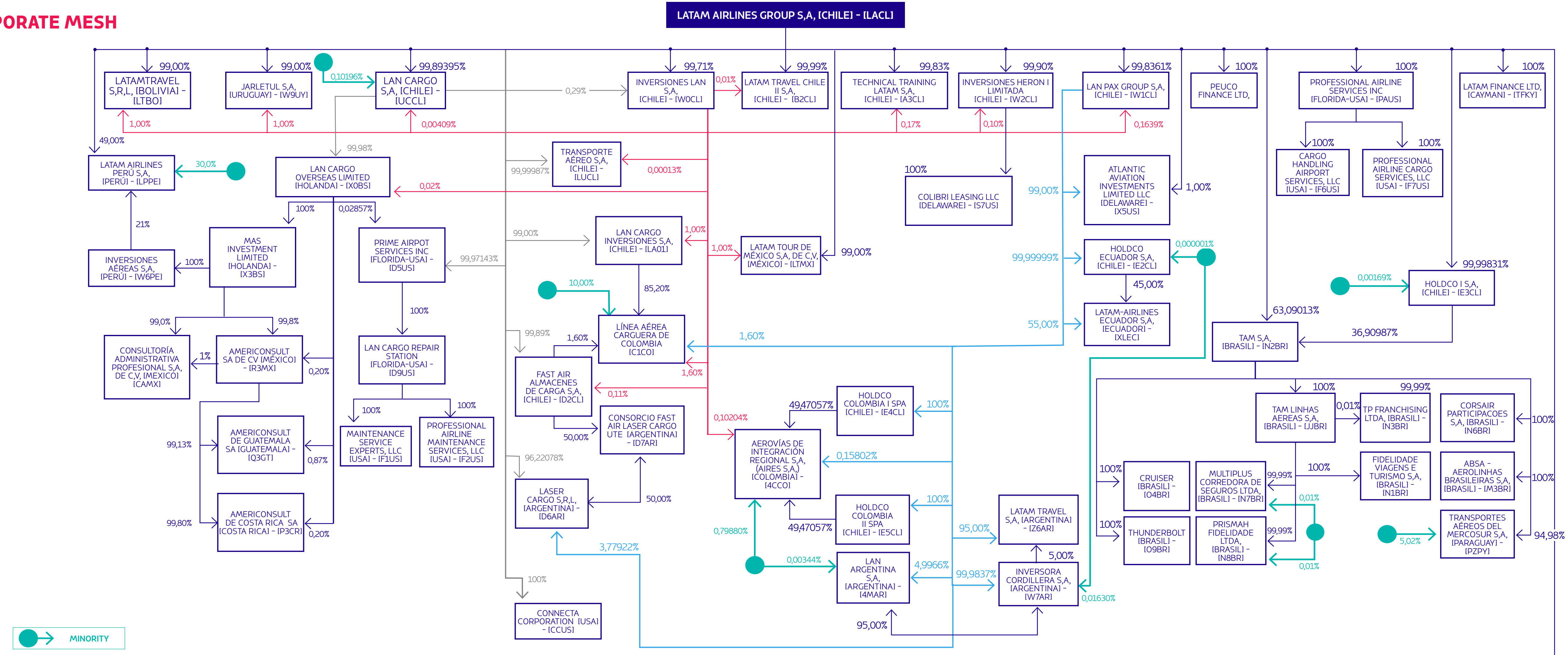
Roberto Alvo
Chief Executive Officer

Giles Agutter
Director

Ramiro Alfonsín Balza
Chief Financial Officer

Henri Philippe Reichstul
Director

CORPORATE MESH



Amarillys Leasing Limited 100%	Guabiroba Leasing Limited 100%	Pilar I Leasing Limited 100%	Piquero Leasing Limited 100%	Tarumarana Leasing Ltd 100%	Zarapito Leasing LLC 100%
Canastero Leasing Limited 100%	Jacana Leasing Limited 100%	Pilar II Leasing Limited 100%	Sequoya Leasing Limited 100%	Tucuquere Leasing Limited 100%	Platero Leasing LLC 100%
Cuclillo Leasing Limited 100%	Parina Leasing Limited 100%	Rayador Leasing Limited 100%	Sumauma Leasing Limited 100%	Yeco Leasing Limited 100%	Gallo Finance Limited 100%

Credits

COORDINATION

LATAM – Sustainability
LATAM – Investor Relations

TEXT AND DESIGN

Conecta Conteúdo e Sustentabilidade
Text: Judith Mota and Talita Fusco
GRI consulting: Thaís Colpaert
Graphic project: Naná de Freitas
Layout: Flavia Ocaranza,
Gisele Fujiura and Gustavo Inafuku
Web programming: Daniel Miclos

ENGLISH VERSION

Minx Translation
Nuriyah Costa-Laurent

PHOTOGRAPHY
LATAM archive