

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014
(FREE TRANSLATION)

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



REPORT OF INDEPENDENT AUDITORS
(Free translation from the original in Spanish)

Santiago, May 13, 2014

To the Board of Directors and Shareholders of Latam Airlines Group S.A.

We have reviewed the accompanying consolidated interim statement of financial position of Latam Airlines Group S.A. and its subsidiaries as of March 31, 2014, and the related consolidated interim statements of income, comprehensive income, cash flows and changes in equity for the three-month periods ended March 31, 2014 and 2013.

Management's responsibility for the consolidated interim financial statements

The preparation and presentation of these interim financial statements and corresponding notes in accordance with IAS 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRS) is the responsibility of the Company's management. This responsibility includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the interim financial information in accordance with the applicable framework for the preparation and presentation of financial information.

Auditor's responsibilities

Our responsibility is to perform our review in accordance with the Chilean auditing standards applicable for the review of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements mentioned in the first paragraph, for them to be in conformity with IAS 34 according to the International Financial Reporting Standards.





Santiago, May 13, 2014
Latam Airlines Group S.A.
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Other matters

On March 17, 2014 we issued an unqualified opinion on the consolidated financial statements as of December 31, 2013 and 2012 of Latam Airlines Group S.A. and subsidiaries, in which is included the statement of financial position as of December 31, 2013 as presented in the accompanying interim consolidated financial statements.

A blue ink signature, appearing to be "J. Gibbons", written in a cursive style.

Jonathan Yeomans Gibbons
RUT: 13.473.972-K

A blue ink signature, appearing to be "P. ...", written in a cursive style.

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LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	<u>Note</u>	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current assets			
Cash and cash equivalents	6 - 7	1,161,339	1,984,903
Other financial assets	7 - 12	808,619	709,944
Other non-financial assets	13	328,740	335,617
Trade and other accounts receivable	7 - 8	1,550,482	1,633,094
Accounts receivable from related entities	7 - 9	302	628
Inventories	10	243,760	231,028
Tax assets	11	<u>104,014</u>	<u>81,890</u>
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		<u>4,197,256</u>	<u>4,977,104</u>
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	14	<u>2,237</u>	<u>2,445</u>
Total current assets		<u>4,199,493</u>	<u>4,979,549</u>
Non-current assets			
Other financial assets	7 - 12	70,693	65,289
Other non-financial assets	13	384,810	272,276
Accounts receivable	7 - 8	80,199	100,775
Equity accounted investments	16	3,396	6,596
Intangible assets other than goodwill	17	2,167,777	2,093,308
Goodwill	18	3,850,693	3,727,605
Property, plant and equipment	19	10,512,372	10,982,786
Deferred tax assets	20	<u>409,425</u>	<u>402,962</u>
Total non-current assets		<u>17,479,365</u>	<u>17,651,597</u>
Total assets		<u><u>21,678,858</u></u>	<u><u>22,631,146</u></u>

The accompanying Notes 1 to 39 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

LIABILITIES	<u>Note</u>	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current liabilities			
Other financial liabilities	7 - 21	1,520,960	2,039,787
Trade and other accounts payables	7 - 22	1,535,315	1,557,736
Accounts payable to related entities	7 - 9	595	505
Other provisions	23	28,643	27,856
Tax liabilities	24	30,218	11,583
Other non-financial liabilities	25	<u>2,762,882</u>	<u>2,871,640</u>
Total current liabilities		<u>5,878,613</u>	<u>6,509,107</u>
Non-current liabilities			
Other financial liabilities	7 - 21	7,287,079	7,859,985
Accounts payable	7 - 27	941,648	922,887
Other provisions	23	1,122,149	1,122,247
Deferred tax liabilities	20	760,183	767,228
Employee benefits	26	48,494	45,666
Other non-financial liabilities	25	<u>77,979</u>	<u>77,567</u>
Total non-current liabilities		<u>10,237,532</u>	<u>10,795,580</u>
Total liabilities		<u><u>16,116,145</u></u>	<u><u>17,304,687</u></u>
EQUITY			
Share capital	28	2,545,705	2,389,384
Retained earnings	28	753,967	795,303
Treasury Shares	28	(178)	(178)
Other reserves	28	<u>2,178,031</u>	<u>2,054,312</u>
Parent's ownership interest		5,477,525	5,238,821
Non-controlling interest		<u>85,188</u>	<u>87,638</u>
Total equity		<u>5,562,713</u>	<u>5,326,459</u>
Total liabilities and equity		<u><u>21,678,858</u></u>	<u><u>22,631,146</u></u>

The accompanying Notes 1 to 39 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

		For the period ended March 31,	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
		ThUS\$	ThUS\$
		<u>Unaudited</u>	
Revenue	29	3,091,256	3,331,772
Cost of sales		<u>(2,455,699)</u>	<u>(2,705,045)</u>
Gross margin		<u>635,557</u>	<u>626,727</u>
Other income	31	86,179	77,195
Distribution costs		(250,688)	(250,865)
Administrative expenses		(255,621)	(235,996)
Other expenses		(103,017)	(102,972)
Other gains/(losses)		<u>(80,777)</u>	<u>4,258</u>
Gains (losses) from operating activities		<u>31,633</u>	<u>118,347</u>
Financial income		19,541	29,827
Financial costs	30	(131,384)	(110,175)
Equity accounted earnings	16	(3,276)	356
Foreign exchange gains/(losses)	32	56,990	32,997
Result of indexation units		<u>(28)</u>	<u>3</u>
Income (loss) before taxes		(26,524)	71,355
Income (loss) tax expense	20	<u>(12,459)</u>	<u>(32,873)</u>
NET INCOME (LOSS) FOR THE PERIOD		<u>(38,983)</u>	<u>38,482</u>
Income (loss) attributable to owners of the parent		<u>(41,333)</u>	<u>42,745</u>
Income (loss) attributable to non-controlling interest		<u>2,350</u>	<u>(4,263)</u>
Net income (loss) for the period		<u>(38,983)</u>	<u>38,482</u>
EARNINGS PER SHARE			
Basic earnings (losses) per share (US\$)	33	(0.07576)	0.08855
Diluted earnings (losses) per share (US\$)	33	(0.07576)	0.08855

The accompanying Notes 1 to 39 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Note</u>	For the period ended	
		March 31,	
		<u>2014</u>	<u>2013</u>
		ThUS\$	ThUS\$
		<u>Unaudited</u>	
NET INCOME (LOSS)		(38,983)	38,482
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	32	<u>144,422</u>	<u>44,874</u>
Other comprehensive income, before taxes, currency translation differences		<u>144,422</u>	<u>44,874</u>
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	21	<u>(27,328)</u>	<u>25,724</u>
Other comprehensive income (losses), before taxes, cash flow hedges		<u>(27,328)</u>	<u>25,724</u>
Other components of other comprehensive income (loss), before taxes		<u>117,094</u>	<u>70,598</u>
Income tax relating to other comprehensive income that will be reclassified to income			
Income tax related to cash flow hedges in other comprehensive income	20	<u>1,909</u>	<u>(6,957)</u>
Income taxes related to components of other comprehensive income that will be reclassified to income		<u>1,909</u>	<u>(6,957)</u>
Other comprehensive income (loss)		<u>119,003</u>	<u>63,641</u>
Total comprehensive income (loss)		<u>80,020</u>	<u>102,123</u>
Comprehensive income (loss) attributable to owners of the parent		78,344	103,532
Comprehensive income (loss) attributable to non-controlling interests		<u>1,676</u>	<u>(1,409)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>80,020</u>	<u>102,123</u>

The accompanying Notes 1 to 39 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Change in other reserves											
		Share	Treasury	Currency	Cash flow	Shares based	Other	Total	Retained	Parent's	Non-	Total
	<u>Note</u>	<u>capital</u>	<u>shares</u>	<u>translation</u>	<u>hedging</u>	<u>payments</u>	<u>sundry</u>	<u>other sundry</u>	<u>earnings</u>	<u>ownership</u>	<u>controlling</u>	<u>equity</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Equity as of January 1, 2014		2,389,384	(178)	(589,991)	(34,508)	21,011	2,657,800	2,054,312	795,303	5,238,821	87,638	5,326,459
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	28	-	-	-	-	-	-	-	(41,333)	(41,333)	2,350	(38,983)
Other comprehensive income		-	-	146,434	(26,757)	-	-	119,677	-	119,677	(674)	119,003
Total comprehensive income		-	-	146,434	(26,757)	-	-	119,677	(41,333)	78,344	1,676	80,020
Transactions with shareholders												
Equity issuance	28-37	156,321	-	-	-	-	-	-	-	156,321	-	156,321
Increase (decrease) through transfers and other changes, equity	28-37	-	-	-	-	3,533	509	4,042	(3)	4,039	(4,126)	(87)
Total transactions with shareholders		156,321	-	-	-	3,533	509	4,042	(3)	160,360	(4,126)	156,234
Closing balance as of												
March 31, 2014 (Unaudited)		2,545,705	(178)	(443,557)	(61,265)	24,544	2,658,309	2,178,031	753,967	5,477,525	85,188	5,562,713

The accompanying Notes 1 to 39 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Change in other reserves											
	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Shares based payments reserve	Other sundry reserve	Total other sundry reserve	Retained earnings	Parent's ownership interest	Non- controlling interest	Total equity	
												ThUS\$
Equity as of January 1, 2013	1,501,018	(203)	3,574	(140,730)	5,574	2,666,682	2,535,100	1,076,136	5,112,051	108,634	5,220,685	
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	28	-	-	-	-	-	-	42,745	42,745	(4,263)	38,482	
Other comprehensive income	-	-	43,951	16,836	-	-	60,787	-	60,787	2,854	63,641	
Total comprehensive income	-	-	43,951	16,836	-	-	60,787	42,745	103,532	(1,409)	102,123	
Transactions with shareholders												
Equity issuance	28-37	104,351	-	-	-	-	-	-	104,351	-	104,351	
Dividends	28	-	-	-	-	-	-	(12,823)	(12,823)	-	(12,823)	
Increase (decrease) through transfers and other changes, equity	28-37	-	-	-	413	(17,238)	(16,825)	10,528	(6,297)	(3,226)	(9,523)	
Total transactions with shareholders		104,351	-	-	413	(17,238)	(16,825)	(2,295)	85,231	(3,226)	82,005	
Closing balance as of												
March 31, 2013 (Unaudited)		1,605,369	(203)	47,525	(123,894)	5,987	2,649,444	2,579,062	1,116,586	5,300,814	103,999	5,404,813

The accompanying Notes 1 to 39 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the periods ended March 31,	
		2014	2013
		ThUS\$	ThUS\$
<u>Unaudited</u>			
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		3,221,686	3,290,413
Other cash receipts from operating activities		24,709	2,910
Payments for operating activities			
Payments to suppliers for goods and services		(2,424,849)	(2,776,682)
Payments to and on behalf of employees		(669,386)	(640,524)
Other payments for operating activities		(113,362)	(18,058)
Interest received		5,094	4,112
Income taxes refunded (paid)		(22,558)	(25,643)
Other cash inflows (outflows)	6	6,970	55,656
Net cash flows from operating activities		<u>28,304</u>	<u>(107,816)</u>
Cash flows used in investing activities			
Cash flows used to obtain control of subsidiaries or other businesses		2	-
Other cash receipts from sales of equity or debt instruments of other entities		201,491	76,737
Other payments to acquire equity or debt instruments of other entities		(299,259)	-
Amounts raised from sale of property, plant and equipment		514,218	21,754
Purchases of property, plant and equipment		(194,926)	(373,828)
Amounts raised from sale of intangible assets		13	-
Purchases of intangible assets		(13,104)	(9,204)
Payment from other long-term assets		-	14,386
Other cash inflows (outflows)	6	(25,217)	78,171
Net cash flow used in investing activities		<u>183,218</u>	<u>(191,984)</u>
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		156,321	104,351
Amounts raised from long-term loans		83,608	458,742
Amounts raised from short-term loans		-	75,000
Loans repayments		(1,121,751)	(292,964)
Payments of finance lease liabilities		(106,343)	(121,581)
Dividends paid		(400)	(9,166)
Interest paid		(116,548)	(84,793)
Other cash inflows (outflows)	6	54,943	(8,738)
Net cash flows from (used in) financing activities		<u>(1,050,170)</u>	<u>120,851</u>
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		(838,648)	(178,949)
Effects of variation in the exchange rate on cash and cash equivalents		15,084	(14,604)
Net increase (decrease) in cash and cash equivalents		(823,564)	(193,553)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	<u>1,984,903</u>	<u>650,263</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	<u><u>1,161,339</u></u>	<u><u>456,710</u></u>

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

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2014 (UNAUDITED)

NOTE 1 - GENERAL INFORMATION

LATAM Airlines Group S.A. (the “Company”) is a public company registered with the Chilean Superintendency of Securities and Insurance (SVS), under No.306, whose shares are quoted in Chile on the Stock Brokers - Stock Exchange (Valparaíso), the Chilean Electronic Stock Exchange and the Santiago Stock Exchange; it is also quoted in the United States of America on the New York Stock Exchange (“NYSE”) in New York in the form of American Depositary Receipts (“ADRs”) and in Brazil BM & FBOVESPA S.A. – Stock Exchange, Mercadorias e Futuros, in the form of Brazilian Depositary Receipts (“BDRs”).

Its principal business is passenger and cargo air transportation, both in the domestic markets of Chile, Peru, Argentina, Colombia, Ecuador and Brazil and in a developed series of regional and international routes in America, Europe and Oceania. These businesses are performed directly or through its subsidiaries in different countries. In addition, the Company has subsidiaries operating in the freight business in Mexico, Brazil and Colombia.

The Company is located in Santiago, Chile, at Avenida Américo Vespucio Sur No. 901, commune of Renca.

Corporate Governance practices of the Company are set in accordance with Securities Market Law the Corporations Law and its regulations, and the regulations of the SVS and the laws and regulations of the United States of America and the U.S. Securities and Exchange Commission (“SEC”) of that country, with respect to the issuance of ADRs, and the Federal Republic of Brazil and the Comissão de Valores Mobiliarios (“CVM”) of that country, as it pertains to the issuance of BDRs.

The Board of the Company is composed of nine members who are elected every two years by the ordinary shareholders' meeting. The Board meets in regular monthly sessions and in extraordinary sessions as the corporate needs demand. Of the nine board members, three form part of its Directors' Committee which fulfills both the role foreseen in the Corporations Law and the functions of the Audit Committee required by the Sarbanes Oxley Law of the United States of America and the respective regulations of the SEC.

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A., Inversiones Nueva Costa Verde Aeronáutica Limitada, Costa Verde Aeronáutica SpA, Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda., Inversiones La Espada Dos S.A., Inversiones Puerto Claro Dos Limitada e Inversiones Mineras del Cantábrico S.A. owns 25.50% of the shares issued by the Company, and therefore is the controlling shareholder of the Company in accordance with the provisions of the letter b) of Article 97 and Article 99 of the Securities Market Law, given that there is a decisive influence on its administration.

As of March 31, 2014, the Company had a total of 1,655 registered shareholders. At that date approximately 7.91% of the Company's share capital was in the form of ADRs and approximately 0.73% in the form of BDRs.

For the period ended March 31, 2014, the Company had an average of 53,379 employees, ending this period with a total of 53,350 employees, spread over 9,938 Administrative employees, 6,891 in Maintenance, 17,623 in Operations, 9,396 in Cabin Crew, 4,025 in Controls Crew, and 5,477 in Sales.

b) As of December 31, 2013

Tax No.	Company	Country of origin	Functional Currency	Participation rate As of December 31, 2013			Statement of financial position As of December 31, 2013			Net Income As of March 31, 2013
				Direct ownership	Indirect ownership	Total ownership	Assets	Liabilities	Equity	Gain (loss)
				%	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$ Unaudited
96.518.860-6	Lantours Division Servicios Terrestres S.A. and Subsidiaries	Chile	US\$	99.9900	0.0100	100.0000	2,722	2,210	512	676
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	38,553	12,124	26,429	(175)
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (1)	Chile	US\$	99.8361	0.1639	100.0000	641,589	901,851	(246,521)	(16,800)
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	263,516	252,109	11,407	(16,811)
Foreign	Lan Chile Investments Limited and Subsidiaries (1)	Cayman Islands	US\$	99.9900	0.0100	100.0000	4,419	5,248	(829)	-
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	772,640	413,527	359,113	1,812
Foreign	Connecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	9	2,171	(2,162)	5
Foreign	Prime Airport Services Inc. and Subsidiary (1)	U.S.A.	US\$	0.0000	100.0000	100.0000	13,528	18,412	(4,884)	(96)
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	359,693	120,399	239,294	8,840
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	560	(560)	-
Foreign	Aircraft International Leasing Limited	U.S.A.	US\$	0.0000	100.0000	100.0000	-	2,805	(2,805)	(4)
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	10,675	3,684	6,991	344
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	381	13	368	(1)
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	52	201	(149)	(10)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (1)	Bahamas	US\$	0.0000	100.0000	100.0000	354,250	256,109	96,817	(5,089)
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (1)	Chile	CLP	0.0000	100.0000	100.0000	39,419	48,630	(9,937)	(1,406)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (1)	Chile	CLP	99.7100	0.0000	99.7100	15,362	8,933	6,421	651
Foreign	TAM S.A. and Subsidiaries (1) (2)	Brazil	BRL	63.0901	36.9099	100.0000	8,695,458	7,983,671	617,035	12,391

(1) The Equity reported corresponds to Equity attributable to owners of the parent, does not include Non-controlling interest.

(2) The indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., entity for which LATAM Airlines Group S.A. holds a 99.9983% participation.

LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company. During 2014 LATAM Airlines Group S.A. made increase of capital in TAM S.A. for a total of ThUS\$ 1,650,000.

Additionally, has proceeded to consolidate special purpose entities, denominated: JOL, destined to the aircraft financing and Chercán Leasing Limited, destined to the aircraft advance financing, as the Company has major risks and benefits associated to them according to standards issued by the International Financial Reporting Standards: Consolidated Financial Statement (“IFRS 10”) and private investment funds in which the parent company and subsidiaries are contributors.

All the entities controlled have been included in the consolidation.

Changes in the scope of consolidation between January 1, 2013 and March 31, 2014, are detailed below:

(1) Incorporation or acquisition of companies

On October 11, 2013, TAM S.A., under each contracts of sale of shares with Lan Cargo Overseas Limited (indirect subsidiary of LATAM Airlines Group S.A.) , TADEF, Participação e Consultoria Empresarial Ltda. y Jochman Participações Ltda. acquired the 99.98% of the shares of Aerolinhas Brasileiras S.A. (ABSA). The effect of this transaction on LATAM Airlines Group SA corresponds to the purchase of shares on ABSA that possessed the companies TADEF, Participação e Consultoria Empresarial Ltda. and Jochman Participações Ltda., which represent the non-controlling interest on the acquired company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements.

2.1. Preparation

The consolidated financial statements of LATAM Airlines Group S.A. are for the period ended March 31, 2014, and have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and IFRIC interpretations.

The consolidated financial statements have been prepared under the historic-cost criterion, although modified by the valuation at fair value of certain financial instruments.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to use its judgment in applying the Company's accounting policies. Note 4 shows the areas that imply a greater degree of judgment or complexity or the areas where the assumptions and estimates are significant to the consolidated financial statements. These interim consolidated financial statements have been prepared under IAS 34.

In order to facilitate comparison, there have been some minor reclassifications to the consolidated financial statements corresponding to the previous year.

(a) Accounting pronouncements with implementation effective from January 1, 2014:

Standards and amendments	Mandatory application: Annual periods beginning on or after
Amendment to IAS 32: Financial instruments: Presentation Issued in December 2011. Clarifies the requirements for off-setting financial assets and liabilities in the Statement of Financial Position. Specifically, that the right to compensation should be available at the reporting date and not depend on a future event. It also indicates that it must be legally binding upon both counterparties in the normal course of business, as well as in the case of default, insolvency or bankruptcy.	01/01/2014

Standards and amendments	Mandatory application: Annual periods beginning on or after
<p>Amendment to IAS 27: Separate financial statements and IFRS 10: Consolidated financial statements and IFRS 12: Disclosure of interests in other entities - Issued in October 2012. The modifications include the definition of an investment entity and introduce an exception to consolidate certain subsidiaries pertaining to investment entities. This amendment requires an entity to measure the investment of these subsidiaries at fair value through profit or loss according to IFRS 9 "Financial Instruments" in the consolidated and separate financial statements. The amendment also introduces new disclosure requirements on investment firms in IFRS 12 and IAS 27.</p>	01/01/2014
<p>Amendment to IAS 36: Impairment of assets Issued in May 2013. Modifies recoverable amount disclosures for non-financial assets in line with the requirements stipulated under IFRS 13. This amendment requires the disclosure of additional information on the recoverable amount of assets that show impairment if this amount is based on fair value minus costs of disposal. It also requests disclosure of items that include the discount rates used in measuring the recoverable amount determined using present value approaches.</p>	<p>01/01/2014 The Company has adopted early this amendment at December 31, 2013.</p>
<p>Amendment to IAS 39: Financial instruments: Recognition and measurement Issued in June 2013. This standard outlines requirements for the novation of derivatives, permitting continuation of hedge accounting, so as to prevent novations arising as a result of laws and regulations from affecting financial statements. For these purposes, it indicates that hedging instruments shall not be voided or terminated in the event of changes: (a) arising as a result of laws or regulations, if the parties to the hedging instrument agree that a central counterparty or an entity (or entities) act as a counterparty to provide central compensation replacing the original counterparty; (b) otherwise, as applicable, affecting the hedging instruments, limited to such changes as are necessary to conduct such a replacement of the counterparty. These changes include changes in contractual guarantee requirements, accounts receivable and accounts payable compensation rights, taxes, and encumbrances.</p>	01/01/2014
<p>Amendment to IAS 19: Employee Benefits Issued in November 2013, this amendment applies to contributions by employees or third parties to defined benefits plans. The modifications seek to simplify accounting procedures for contributions that are independent of the number of years of service of the employees, such as employee contributions calculated as a fixed percentage of their salaries.</p>	07/01/2014

Interpretations

Mandatory
application:
Annual periods
beginning on or after

IFRIC 21: Levies

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

01/01/2014

Standards and amendments

Mandatory
application:
Annual periods
beginning on or after

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

07/01/2014

IFRS 2: Share-based Payment

The amendment clarifies the definitions of “Vesting condition” and “Market condition” and adds separate definitions of “Performance condition” and “Service condition”. This amendment must be applied prospectively for all transaction with share-based payments to vest on or after July 1, 2014. Early adoption is permitted.

IFRS 3: Business Combinations

The standard is amended to clarify that contingent consideration that is classified as financial instrument under the test described in IAS 32 “Financial instruments” shall be classed as a financial liability or equity. The standard is also amended to clarify that all non-equity contingent consideration, both financial and non-financial, shall be measured at fair value at each reporting date, with changes in value imputed to profit or loss.

Therefore, IFRS 9, IAS 37, and IAS 39 are also modified. The amendment is prospectively applicable for business combinations with an acquisition date on or after July 1, 2014. Early adoption is permitted so long as the amendments to IFRS 9 and IAS 37, also issued as part of the 2012 improvement plan.

IFRS 8: Operating Segments

The standard is amended to include to disclose the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments that have been aggregated and the economic indicators that have been assessed in determining that the segments aggregated share similar economic characteristics.

The standard is also amended to require a reconciliation of the total of the reportable segments’ assets with the assets of the entity, when assets are reported by segment. Early adoption is permitted.

Standards and amendments

Mandatory
application:
Annual periods
beginning on or after

IFRS 13: Fair Value Measurement

07/01/2014

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

IAS 16: Property, Plant and Equipment, and IAS 38: Intangible Assets

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

IAS 24: Related Party Disclosures

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

Standards and amendments	Mandatory application: Annual periods beginning on or after
Improvements to the International Financial Reporting Standards (2013) Issued in December 2013.	07/01/2014

IFRS 1: First-time Adoption of International Financial Reporting Standards

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new IFRS permits early application for all applicable periods.

IFRS 3: Business Combinations

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

IFRS 13: Fair Value Measurement

The amendment clarifies that the scope of the portfolio exception defined in IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, permitting the reporting entity to measure the fair value of a group of financial assets and liabilities at net value.

The amendment is mandatory for financial reporting periods starting on or after July 1, 2014. An entity must apply the amendments prospectively from the start of the first annual period in which IFRS 13 is applied.

IAS 40: Investment Property

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

The application of standards, amendments and interpretations had no material impact on the consolidated financial statements of the Company.

(b) Accounting pronouncements effective implementation starting on January 1, 2015 and following:

Standards and amendments	Mandatory application: Annual periods beginning on or after
<p>IFRS 9: Financial instruments Issued in December 2009, this amendment modifies the classification and measurement of financial assets. It establishes two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity maintains it in order to obtain contractual cash flows and these cash flows represent capital and interest. This standard was subsequently modified in November 2010 to include the treatment and classification of financial liabilities. For liabilities, the standard carries forward the majority of the requirements established in IAS 39. These include accounting at amortized cost for most financial liabilities, with splitting of embedded derivatives. The principal change is that, where the fair value option is selected for financial liabilities, the part of the change in the fair value attributable to changes in own credit risk for the entity is recognized under other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. Early adoption is permitted.</p>	Undetermined
<p>IFRS 14: Regulatory deferral accounts Issued in January 2014 is an interim standard on accounting for certain balances arising from activities regulated tariff ("Regulatory deferral accounts"). This standard applies only to entities applying IFRS 1 as first-time adopters of IFRS. It allows those entities to adopt IFRS, continue applying the generally accepted accounting principles accounting policies prior to the recognition, measurement, impairment and recognition of deferred regulatory accounts. The interim standard also provides guidance on selecting and change in accounting policies (on first time adoption or later), and presentation and disclosure. Nevertheless, in order to facilitate comparison with the entities that already apply IFRS and do not recognize such amounts; the standard requires that the effect of tariff regulation should be presented separately from other items.</p>	01/01/2016

Standards and amendments

Mandatory
application:
Annual periods
beginning on or after

IFRS 9: Financial instruments

Undetermined

Issued in November 2013, the modifications include a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. Additionally, and unrelated to hedge accounting, this modification allows entities to opt for early adoption of the requirement to recognize changes in reasonable value attributable to changes in the credit risk of the entity itself in other comprehensive income (for financial liabilities designated under the fair value option). This modification may be applied without any requirement to adopt the rest of IFRS 9.

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

2.2. Consolidation

(a) Subsidiaries

Subsidiaries are all the entities (including special-purpose entities) over which the Company has the power to control the financial and operating policies, which are generally accompanied by a holding of more than half of the voting rights. In evaluating whether the Company controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible at the date of the consolidated financial statements are considered. The subsidiaries are consolidated from the date on which control is passed to the Company and they are excluded from the consolidation on the date they cease to be so controlled. The results and flows are incorporated from the date of acquisition.

To account for and identify the financial information to be revealed when carrying out a business combination, such as the acquisition of an entity by the Company, shall apply the acquisition method provided for in IFRS 3 (or IFRS 3 for its acronym in Spanish - <http://www.normasinternacionalesdecontabilidad.es/nic/pdf/niif3.pdf>). According to IFRS 3, the cost of acquisition is the fair value of the assets acquired, the equity instruments issued and the liabilities incurred or assumed on the date of the business combination. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially valued at their fair value on the date of acquisition, regardless of the extent of the non-controlling interests. The excess of the acquisition cost over the fair value of the Company's holding in the net identifiable assets acquired is shown as Goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recorded directly in the consolidated statement of income (Note 2.6). The transaction costs in a business combination are recognized in the consolidated income statement when they are incurred. Additionally, IFRS 3 allows adjustments to the initial accounting for a business combination within the period of twelve months from the acquisition date.

Inter-company transactions, balances and unrealized gains on transactions between the Company's entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred. When necessary in order to ensure uniformity with the policies adopted by the Company, the accounting policies of the subsidiaries are modified.

(b) Transactions with non-controlling interests

The Company applies the policy of considering transactions with non-controlling interests, when not related to loss of control, as equity transactions without an effect on income.

(c) Sales of subsidiaries

When a subsidiary is sold and a percentage of participation is not retained, the Company derecognizes assets and liabilities of the subsidiary, the non-controlling and other components of equity related to the subsidiary. Any gain or loss resulting from the loss of control is recognized in the consolidated income statement in Other gains (losses).

If LATAM Airlines Group S.A. and Subsidiaries retain an ownership of participation in the sold subsidiary, and does not represent control, this is recognized at fair value on the date that control is lost, the amounts previously recognized in Other comprehensive income are accounted as if the Company had disposed directly from the assets and related liabilities, which can cause these amounts are reclassified to profit or loss. The percentage retained valued at fair value are subsequently accounted using the equity method.

(d) Investees or associates

Investees or associates are all entities over which LATAM Airlines Group S.A. and Subsidiaries have significant influence but have no control. This usually arises from holding between 20% and 50% of the voting rights. Investments in associates are booked using the equity method and are initially recognized at their cost.

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

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

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

2.3. Foreign currency transactions

(a) Presentation and functional currencies

The items included in the financial statements of each of the entities of LATAM Airlines Group S.A. and Subsidiaries are valued using the currency of the main economic environment in which the entity operates (the functional currency). The functional currency of LATAM Airlines Group S.A. is the United States dollar which is also the presentation currency of the consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates on the transaction dates. Foreign currency gains and losses resulting from the liquidation of these transactions and from the translation at the closing exchange rates of the monetary assets and liabilities denominated in foreign currency are shown in the consolidated statement of income by function except when deferred in Other comprehensive income as qualifying cash flow hedges.

(c) Group entities

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

- (i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;
- (ii) The revenues and expenses of each income statement account are translated at the exchange rates prevailing on the transaction dates,
- (iii) All the resultant exchange differences are shown as a separate component in Other comprehensive income.

The exchange rates used correspond to those fixed in the country where the subsidiary is located, whose functional currency is different to the U.S. dollar.

In the consolidation, exchange differences arising from the translation of a net investment in foreign entities (or local with a functional currency different to that of the parent), and of loans and other foreign currency instruments designated as hedges for these investments, are recorded within net equity. When the investment is sold, these exchange differences are shown in the consolidated statement of income as part of the loss or gain on the sale.

Adjustments to the Goodwill and fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

2.4. Property, plant and equipment

The land of LATAM Airlines Group S.A. and Subsidiaries is recognized at cost less any accumulated impairment loss. The rest of the Property, plant and equipment are registered, initially and subsequently, at historic cost less the corresponding depreciation and any impairment loss.

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

Subsequent costs (replacement of components, improvements, extensions, etc.) are included in the value of the initial asset or shown as a separate asset only when it is probable that the future economic benefits associated with the elements of Property, plant and equipment are going to flow to the Company and the cost of the element can be determined reliably. The value of the component replaced is written off in the books at the time of replacement. The rest of the repairs and maintenance are charged to the results of the year in which they are incurred.

Depreciation of Property, plant and equipment is calculated using the straight-line method over their estimated technical useful lives; except in the case of certain technical components which are depreciated on the basis of cycles and hours flown.

The residual value and useful life of assets are reviewed, and adjusted if necessary, once per year.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is reduced immediately to its recoverable amount (Note 2.8).

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

2.5. Intangible assets other than goodwill

Brands, Airport slots and Loyalty program

Brands, Airport slots and Coalition and loyalty program are intangible assets of indefinite useful life and are subject to impairment tests annually.

The airport slots correspond to an administrative authorization to carry out an operation of arrival and departure of aircraft at a specific airport, within a specified period.

The Loyalty program corresponds to the system of accumulation and redemption of points that has developed Multiplus

The Brands, airport Slots and Loyalty program were recognized in fair values determined in accordance with IFRS 3, as a consequence of the business combination.

Computer software

Licenses for computer software acquired are capitalized on the basis of the costs incurred in acquiring them and preparing them for using the specific software. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. Certain costs directly related to the production of unique and identifiable computer software controlled by the Company, are shown as intangible Assets others than Goodwill when they have met all the criteria for capitalization.

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

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

2.6. Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company's participation in the net identifiable assets of the subsidiary or associate on the acquisition date. Goodwill related to acquisition of subsidiaries is not amortized but tested for impairment annually. Gains and losses on the sale of an entity include the book amount of the goodwill related to the entity sold.

2.7. Borrowing costs

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

2.8. Losses for impairment of non-financial assets

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

2.9. Financial assets

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit and loss, loans and receivables and financial assets held to maturity. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition, which occurs on the date of transaction.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial instruments held for trading and those which have been designated at fair value through profit or loss in their initial classification. A financial asset is classified in this category if acquired mainly for the purpose of being sold in the near future or when these assets are managed and measured using fair value. Derivatives are also classified as acquired for trading unless they are designated as hedges. Assets in this category are classified as Cash and cash equivalents, held for trading, and other financial assets, designated on initial recognition.

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments not traded on an active market. These items are classified in current assets except for those with maturity over 12 months from the date of the consolidated statement of financial position, which are classified as non-current assets. Loans and receivables are included in trade and other accounts receivable in the consolidated statement of financial position (Note 2.12).

(c) Financial assets held to maturity

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

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method. Held to maturity investments are carried at amortized cost using the effective interest rate.

At the date of each consolidated statement of financial position, the Company assesses if there is objective evidence that a financial asset or group of financial assets may have suffered an impairment loss. For the case of financial assets held to maturity, if there is any evidence of impairment, the amount of the provision is the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate.

2.10. Derivative financial instruments and hedging activities

Derivatives are booked initially at fair value on the date the derivative contracts are signed and later they continue to be valued at their fair value. The method for booking the resultant loss or gain depends on whether the derivative has been designated as a hedging instrument and if so, the nature of the item hedged. The Company designates certain derivatives as:

- (a) Hedge of the fair value of recognized assets (fair value hedge);
- (b) Hedge of an identified risk associated with a recognized liability or an expected highly-Probable transaction (cash-flow hedge), or

(c) Derivatives that do not qualify for hedge accounting.

The Company documents, at the inception of each transaction, the relationship between the hedging instrument and the hedged item, as well as its objectives for managing risk and the strategy for carrying out various hedging transactions. The Company also documents its assessment, both at the beginning and on an ongoing basis, as to whether the derivatives used in the hedging transactions are highly effective in offsetting the changes in the fair value or cash flows of the items being hedged.

The total fair value of the hedging derivatives is booked as Other non-current financial asset or liability if the remaining maturity of the item hedged is over 12 months, and as an other current financial asset or liability if the remaining term of the item hedged is less than 12 months. Derivatives not booked as hedges are classified as Other financial assets or liabilities.

(a) Fair value hedges

Changes in the fair value of designated derivatives that qualify as fair value hedges are shown in the consolidated statement of income, together with any change in the fair value of the asset or liability hedged that is attributable to the risk being hedged.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is shown in the statement of other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of income under Other gains (losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

In case of variable interest-rate hedges, the amounts recognized in the statement of Other comprehensive income are reclassified to results within financial costs at the same time the associated debts accrue interest.

For fuel price hedges, the amounts shown in the statement of Other comprehensive income are reclassified to results under the line item Cost of sales to the extent that the fuel subject to the hedge is used.

For foreign currency hedges, the amounts recognized in the statement of Other comprehensive income are reclassified to income as deferred revenue resulting from the use of points, are recognized as Income.

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

(c) Derivatives not booked as a hedge

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

2.11. Inventories

Inventories, detailed in Note 10, are shown at the lower of cost and their net realizable value. The cost is determined on the basis of the weighted average cost method (WAC). The net realizable value is the estimated selling price in the normal course of business, less estimated costs necessary to make the sale.

2.12. Trade and other accounts receivable

Trade accounts receivable are shown initially at their fair value and later at their amortized cost in accordance with the effective interest rate method, less the allowance for impairment losses. An allowance for impairment loss of trade accounts receivable is made when there is objective evidence that the Company will not be able to recover all the amounts due according to the original terms of the accounts receivable.

The existence of significant financial difficulties on the part of the debtor, the probability that the debtor is entering bankruptcy or financial reorganization and the default or delay in making payments are considered indicators that the receivable has been impaired. The amount of the provision is the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate. The book value of the asset is reduced by the amount of the allowance and the loss is shown in the consolidated statement of income in Cost of sales. When an account receivable is written off, it is charged to the allowance account for accounts receivable.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, time deposits in financial institutions, and other short-term and highly liquid investments.

2.14. Capital

The common shares are classified as net equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in net equity as a deduction from the proceeds received from the placement of shares.

2.15. Trade and other accounts payables

Trade payables and other accounts payable are initially recognized at fair value and subsequently at amortized cost and are valued according to the method of the effective interest rate.

2.16. Interest-bearing loans

Financial liabilities are shown initially at their fair value, net of the costs incurred in the transaction. Later, these financial liabilities are valued at their amortized cost; any difference between the proceeds obtained (net of the necessary arrangement costs) and the repayment value, is shown in the consolidated statement of income during the term of the debt, according to the effective interest rate method.

Financial liabilities are classified in current and non-current liabilities according to the contractual payment dates of the nominal principal.

2.17. Deferred taxes

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

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

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

2.18. Employee benefits

(a) Personnel vacations

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

(b) Share-based compensation

The compensation plans implemented by the granting of options for the subscription and payment of shares are shown in the consolidated financial statements in accordance with IFRS 2: Share based payments, showing the effect of the fair value of the options granted as a charge to remuneration on a straight-line basis between the date of granting such options and the date on which these become vested.

(c) Post-employment and other long-term benefits

Provisions are made for these obligations by applying the method of the actuarial value of the accrued cost, and taking into account estimates of future permanence, mortality rates and future wage increases determined on the basis of actuarial calculations. The discount rates are determined by reference to market interest-rate curves. Actuarial gains or losses are shown in results for the period when they occur.

(d) Incentives

The Company has an annual incentives plan for its personnel for compliance with objectives and individual contribution to the results. The incentives eventually granted consist of a given number or portion of monthly remuneration and the provision is made on the basis of the amount estimated for distribution.

2.19. Provisions

Provisions are recognized when:

- (i) The Company has a present legal or implicit obligation as a result of past events;
- (ii) It is probable that payment is going to be necessary to settle an obligation; and
- (iii) The amount has been reliably estimated.

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

2.20. Revenue recognition

Revenues include the fair value of the proceeds received or to be received on sales of goods and rendering services in the ordinary course of the Company's business. Revenues are shown net of refunds, rebates and discounts.

(a) Rendering of services

(i) Passenger and cargo transport

The Company shows revenue from the transportation of passengers and cargo once the service has been provided.

Consistent with the foregoing, the Company presents the deferred revenues in heading Other financial liabilities in the Statement of Financial Position.

(ii) Frequent flyer program

The Company currently has a frequent flyer program, whose objective is customer loyalty through the delivery of kilometers or points fly whenever the program holders make certain flights, use the services of entities registered with the program or make purchases with an associated credit card. The kilometers or points earned can be exchanged for flight tickets or other services of associated entities.

The consolidated financial statements include liabilities for this concept (deferred income), according to the estimate of the valuation established for the kilometers or points accumulated pending use at that date, in accordance with IFRIC 13: Customer loyalty programs.

(iii) Other revenues

The Company records revenues for other services when these have been provided.

(b) Interest income

Interest income is booked using the effective interest rate method.

(c) Dividend income

Dividend income is booked when the right to receive the payment is established.

2.21. Leases

(a) When the Company is the lessee – financial lease

The Company leases certain Property, plant and equipment in which it has substantially all the risk and benefits deriving from the ownership; they are therefore classified as financial leases. Financial leases are initially recorded at the lower of the fair value of the asset leased and the present value of the minimum lease payments.

Every lease payment is separated between the liability component and the financial expenses so as to obtain a constant interest rate over the outstanding amount of the debt. The corresponding leasing obligations, net of financial charges, are included in Other financial liabilities. The element of interest in the financial cost is charged to the consolidated statement of income over the lease period so that it produces a constant periodic rate of interest on the remaining balance of the liability for each year. The asset acquired under a financial lease is depreciated over its useful life and is included in Property, plant and equipment.

(b) When the Company is the lessee – operating lease

Leases, in which the lessor retains an important part of the risks and benefits deriving from ownership, are classified as operating leases. Payments with respect to operating leases (net of any incentive received from the lessor) are charged in the consolidated statement of income on a straight-line basis over the term of the lease.

2.22. Non-current assets or disposal groups classified as held for sale

Non-current assets (or disposal groups) classified as assets held for sale are shown at the lesser of their book value and the fair value less costs to sell.

2.23. Maintenance

The costs incurred for scheduled heavy maintenance of the aircraft's fuselage and engines are capitalized and depreciated until the next maintenance. The depreciation rate is determined on technical grounds, according to the use of the aircraft expressed in terms of cycles and flight hours.

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

Additionally, some leases establish the obligation of the lessee to make deposits to the lessor as a guarantee of compliance with the maintenance and return conditions. These deposits, often called maintenance reserves, accumulate until a major maintenance is performed, once made, is request the recovery to the lessor. At the end of the contract period, the balance between paid reservations and conditions agreed with levels of maintain in delivering, be offset the parties if applicable.

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

2.24. Environmental costs

Disbursements related to environmental protection are charged to results when incurred.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Company's activities are exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The Company's global risk management program is focused on uncertainty in the financial markets and tries to minimize the potential adverse effects on the net margin. The Company uses derivative instruments to hedge part of these risks.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market risks such as:

(i) fuel-price risk, (ii) interest-rate risk, and (iii) local exchange-rate risk. In order to fully or partially hedge all of these risks, the Company operates with derivative instruments to fix or limit the possible impact that could generate the above mentioned risks.

(i) Fuel-price risk:

Fluctuations in fuel prices largely depend on the global supply and demand for oil, decisions taken by Organization of Petroleum Exporting Countries ("OPEC"), global refining capacity, stock levels maintained, and weather and geopolitical factors.

The Company purchases an aircraft fuel called Jet Fuel grade 54. There is a benchmark price in the international market for this underlying asset, which is US Gulf Coast Jet 54. However, the futures market for this asset has a low liquidity index and as a result the Company hedges its exposure using West Texas Intermediate ("WTI") crude, Brent ("BRENT") crude and distillate Heating Oil ("HO"), which have a high correlation with Jet Fuel and are highly liquid assets and therefore have advantages in comparison to the use of the U.S. Gulf Coast Jet 54 index.

During the first quarter of 2014, the Company recognized gains of US\$ 0.5 million on fuel hedging. During the same period 2013, the Company recognized losses of US\$ 6.70 million for the same reason.

At March 31, 2014, the market value of its fuel positions amounted to US\$ 0.7 million (positive). At December 31, 2013, this market value was US\$ 15.9 million (positive).

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

Positions as of March 31, 2014 (*) (Unaudited)	Maturities		
	Q214	Q314	Total
Volume (thousands of barrels)	3,644	1,834	5,478
Contracted future price (US\$ per barrel)(**)	109	110	109
Total (ThUS\$)	397,196	201,740	597,102
Percentage of the hedge of expected consumption value	51%	25%	38%

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

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

Positions as of December 31, 2013 (*)	Maturities		
	Q114	Q214	Total
Volume (thousands of barrels)	4,093	1,851	5,944
Contracted future price (US\$ per barrel)(**)	110	109	110
Total (ThUS\$)	450,230	201,759	653,840
Percentage of the hedge of expected consumption value	56%	26%	41%

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

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

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

Sensitivity analysis

A drop in fuel price positively affects the Company through a reduction in costs. However, this drop also negatively affects contracted positions as these are acquired to protect the Company against the risk of a rise in price. The policy therefore is to maintain a hedge-free percentage in order to be competitive in the event of a drop in price.

Due to the fact that current positions do not represent changes in cash flows, but a variation in the exposure to the market value, the current hedge positions have no impact on income (they are booked as cash flow hedge contracts, so a variation in the fuel price has an impact on the Company's net equity).

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of the third quarter of 2014.

The calculations were made considering a parallel movement of US\$ 5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of March, 2014 and the end of December, 2013.

Benchmark price (US\$ per barrel)	Positions as of March 31, 2014 effect on equity (millions of US\$)	Positions as of December 31, 2013 effect on equity (millions of US\$)
	Unaudited	
+ 5	+ 19.27	+24.57
-5	-18.19	-19.13

The Company seeks to reduce the risk of fuel price rises to ensure it is not left at a disadvantage compared to its competitors in the event of a sharp price fall. The Company therefore uses hedge instruments like swaps, call options and collars to partially hedge the fuel volumes by consume.

Given the fuel hedge structure during the first quarter of 2014, which considers a hedge-free portion, a vertical fall by 5 dollars in the BRENT and JET benchmark price (the monthly daily average), would have meant an impact of approximately US\$ 37.9 million in the cost of total fuel consumption for the same period. For the first quarter of 2014, a vertical rise by 5 dollars in the BRENT and JET benchmark price (the monthly daily average) would have meant an impact of approximately US\$ 36.2 million of increased fuel costs.

(ii) Cash flow interest-rate risk:

The fluctuation in interest rates depends heavily on the state of the global economy. An improvement in long-term economic prospects moves long-term rates upward while a drop causes a decline through market effects. However, if we consider government intervention in periods of economic recession, it is usual to reduce interest rates to stimulate aggregate demand by making credit more accessible and increasing production (in the same way interest rates are raised in periods of economic expansion).

The present uncertainty about how the market and governments will react, and thus how interest rates will change, creates a risk related to the Company's debt at floating interest rates and its investments.

Cash flow interest rate risk equates to the risk of future cash flows of the financial instruments due to the fluctuation in interest rates on the market. The Company's exposure to risks of changes in market interest rates is mainly related to long-term obligations with variable interest rates.

In order to reduce the risk of an eventual rise in interest rates, the Company has signed interest-rate swap and call option contracts. Currently a 67% of the debt is fixed to fluctuations in interest rate. Therefore the Company is exposed in one portion to the variations of London Inter-Bank Offer Rate ("LIBOR") of 30 days, 90 days, 180 days and 360 days. Other interest rates of less relevance are Brazilian Interbank Deposit Certificate ("ILC"), and the Interest Rate Term of Brazil ("TJLP").

The following table shows the sensitivity of changes in financial obligations that are not hedged against interest-rate variations. These changes are considered reasonably possible based on current market conditions.

Increase (decrease) futures curve in libor 3 months	Positions as of March 31, 2014 effect on equity (millions of US\$)	Positions as of December 31, 2013 effect on equity (millions of US\$)
	Unaudited	
+100 basis points	-22.77	-29.70
-100 basis points	+22.77	+29.70

Changes in market conditions produce a change in the valuation of current financial instruments hedging interest rates, causing an effect on the Company's equity (because they are booked as cash-flow hedges). These changes are considered reasonably possible based on current market conditions. The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve.

Increase (decrease) futures curve in <u>libor 3 months</u>	Positions as of March 31, 2014 effect on equity (millions of US\$) <hr/> Unaudited	Positions as of December 31, 2013 effect on equity (millions of US\$) <hr/>
+100 basis points	+21.58	+23.35
-100 basis points	-22.56	-24.46

There are limitations in the method used for the sensitivity analysis and relate to those provided by the market because the levels indicated by the futures curves are not necessarily met and will change in each period.

In accordance with the requirements of IAS 39, during the periods presented, the Company has not recorded amounts for ineffectiveness in the consolidated income statement.

(iii) Foreign exchange rate risk:

The functional currency used by the Company is the US dollar in terms of setting prices for its services, the composition of its statement of financial position and effects on its operating income.

The balance sheet risk arises when items listed on the balance sheet are exposed to exchange rate variations, due to their being listed in a currency other than the functional currency.

In the case of the subsidiary TAM S.A, which operates with the Brazilian Real as its functional currency, a large proportion of the company's liabilities are expressed in dollars. Therefore, this subsidiary's profit and loss varies when its financial assets and liabilities, an its accounts receivable listed in dollars are converted to Brazilian Reals. This impact on profit and loss is consolidated in the Company.

In order to reduce the impacts on the Company's profit and loss caused by rises and falls in the R\$/US\$ exchange rate, the Company has conducted transactions for to reduce the net US\$ liabilities held by TAM S.A.

The following table shows the variation of financial performance to appreciate or depreciate 10% exchange rate R\$/US\$:

Appreciation (depreciation) of R\$/US\$	Effect at March 31, 2014 Millions of US\$
	Unaudited
-10%	+130.5
+10%	-130.5

The Company sells most of its services in US dollars, prices equivalent to the US dollar and Brazilian real. A large part of its expenses are denominated in US dollars or equivalents to the US dollar, particularly fuel costs, aeronautic charges, aircraft leases, insurance and aircraft components and accessories. Remuneration expenses are denominated in local currencies.

The Company maintains its cargo and passenger international business tariffs in US dollars. There is a mix in the domestic markets as sales in Peru are in local currency but the prices are indexed to the US dollar. In domestic markets of Brazil, Chile, Argentina and Colombia the tariffs are in local currency without any kind of indexation. In the case of the domestic business in Ecuador, both tariffs and sales are in US dollar. The Company is therefore exposed to fluctuations in the different currencies, among which are: Brazilian real, Chilean peso, Argentine peso, Paraguayan guaraní, Mexican peso, Euro, Pound sterling, Peruvian sol, Colombian peso, Australian dollar and New Zealand dollar. Of these currencies, the largest exposure is presented by Brazilian real and Chilean peso.

On the other hand, one of the sources of financing of the Company is the receipt of future flows relating to dividends and distributions of capital that the subsidiaries project distribute. These futures flows vary depending on the evolution of currency in compared to the US\$. Most exposure to future flows is presented in subsidiary TAM S.A. and the volatility in the exchange rate R\$/US\$. In the case of the subsidiary TAM S.A. the incomes are expressed a large proportion in R\$ and a large proportion of their costs are expressed in US\$.

For cover the inversion in the subsidiaries and reduce the volatility in the cash flow , the Company may acquire derivatives contracts to hedge variations in other currencies against the Company's functional currency, hedging exchange rate risk through currency forward.

With the object of reduce the exposition to the futures monthly operating flows of all 2014, caused by eventual depreciation of the BRL and assure an economic margins, LATAM done the hedge by derivatives FX Forward.

At March 31, 2014, the market value of its FX positions amounted to US\$ 2.74 million (positive).

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

Positions at March 31, 2014 (Unaudited)	Maturities			
	Q214	Q314	Q414	Total
Volume (million of US\$)	225	225	175	625
Forward average price agreed (US\$/R\$)	2.29	2.34	2.39	2.34
Total (million of R\$)	515	527	418	1,463

Sensitivity exchange rate LATAM

A depreciation of exchange rate R\$/ US\$ affects negatively the Company for a rise of its costs in US\$, however, it also affects positively the value of contracted derivate positions.

Because the changes in the value of current positions not represented changes in cash flows, but a variation in the exposure of market value, the current hedge positions have not impact on result (are registered as cash flow hedges according to IAS 39, therefore, a variation in the exposure has an impact on the Company's net equity).

The following table presents the sensitivity of financial instruments agrees with reasonable changes to exchange rate and its effect on equity. The projection term was defined until the end of the last current contract hedge, being the last business day of the fourth quarter of 2014:

Appreciation (depreciation) of R\$/US\$	Effect at March 31, 2014
	Millions of US\$ Unaudited
-10%	-61.95
+10%	+61.95

Operations hedging of exchange rate Multiplus

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

The expiration date of the derivatives coincide with the probable date of collection points. The highly probable sale of the points are expected to be recognized in income after being exchanged, on average, six months later.

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

Effects of exchange rate derivatives in the Financial Statements

The profit or losses caused by changes in the fair value of hedging instruments are segregated between intrinsic value and time value. The intrinsic value is the percentage of cash flow cash covered, initially shown in equity and later transferred to income, while the hedge transaction is recorded in income. The time value corresponds to the ineffective portion of cash flow hedge and is recognized in the financial results of the Company (Note 21).

Due to the functional currency of TAM S.A. and Subsidiaries is the Brazilian real, the Company presents effects by the exchange rate fluctuations in Other comprehensive income by converting the Statement of financial position and Income statement of TAM S.A. and Subsidiaries from their functional currency to the U.S. dollar, being these last currency the presentation currency of the consolidated financial statement of LATAM Airlines Group S.A. and Subsidiaries. The Goodwill generated in the Business combination is recognized as an asset of TAM S.A. and Subsidiaries in Brazilian real whose conversion to U.S. dollar also produces effects in Other comprehensive income.

The following table shows the change in Other comprehensive income recognized in Total equity to appreciate or depreciate 10% exchange rate R\$/US\$:

Appreciation (depreciation) of R\$/US\$	Effect at March 31, 2014 Millions of US\$	Effect at December 31, 2013 Millions of US\$
	Unaudited	
-10%	+524.59	+466.45
+10%	-429.21	-381.63

(b) Credit risk

Credit risk occurs when the counterparty to a financial agreement or instrument fails to discharge an obligation due or financial instrument, leading to a loss in market value of a financial instrument (only financial assets, not liabilities).

The Company is exposed to credit risk due to its operative and financial activities, including deposits with banks and financial institutions, investments in other kinds of instruments, exchange-rate transactions and the contracting of derivative instruments or options.

To reduce the credit risk associated with operational activities, the Company has established credit limits to abridge the exposure of their debtors which are monitored permanently (mainly in case of operational activities in Brazil with travel agents).

As a way to mitigate credit risk related to financial activities, the Company requires that the counterparty to the financial activities remain at least investment grade by major Risk Assessment Agencies. Additionally the company has established maximum limits for investments which are monitored regularly.

(i) Financial activities

Cash surpluses that remain after the financing of assets necessary for the operation are invested according to credit limits approved by the Company's Board, mainly in time deposits with different financial institutions, private investment funds, short-term mutual funds, and easily-liquidated corporate and sovereign bonds with short remaining maturities. These investments are booked as Cash and cash equivalents and Other current financial assets.

In order to reduce counterparty risk and to ensure that the risk assumed is known and managed by the Company, investments are diversified among different banking institutions (both local and international). The Company evaluates the credit standing of each counterparty and the levels of investment, based on (i) their credit rating, (ii) the equity size of the counterparty, and (iii) investment limits according to the Company's level of liquidity. According to these three parameters, the Company chooses the most restrictive parameter of the previous three and based on this, establishes limits for operations with each counterparty.

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

The Company has four large sales "clusters": travel agencies, cargo agents, airlines and credit-card administrators. The first three are governed by International Air Transport Association, international ("IATA") organization comprising most of the airlines that represent over 90% of scheduled commercial traffic and one of its main objectives is to regulate the financial transactions between airlines and travel agents and cargo. When an agency or airline does not pay their debt, they are excluded from operating with IATA's member airlines. In the case of credit-card administrators, they are fully guaranteed by 100% by the issuing institutions.

The exposure consists of the term granted, which fluctuates between 1 and 45 days.

One of the tools the Company uses for reducing credit risk is to participate in global entities related to the industry, such as IATA, Business Sales Processing ("BSP"), Cargo Account Settlement Systems ("CASS"), IATA Clearing House ("ICH") and banks (credit cards). These institutions fulfill the role of collectors and distributors between airlines and travel and cargo agencies. In the case of the Clearing House, it acts as an offsetting entity between airlines for the services provided between them. A reduction in term and implementation of guarantees has been achieved through these entities. Currently the sales invoicing of TAM Linhas Aéreas S.A. related with travel agents and cargo agents for domestic transportation in Brazil is done directly by TAM Linhas Aéreas S.A.

Credit quality of financial assets

The external credit evaluation system used by the Company is provided by IATA. Internal systems are also used for particular evaluations or specific markets based on trade reports available on the local market. The internal classification system is complementary to the external one, i.e. for agencies or airlines not members of IATA, the internal demands are greater.

To reduce the credit risk associated with operational activities, the Company has established credit limits to abridge the exposure of their debtors which are monitored permanently (mainly in case of operational activities of TAM Linhas Aéreas S.A. with travel agents). The bad-debt rate in the principal countries where the Company has a presence is insignificant.

(c) Liquidity risk

Liquidity risk represents the risk that the Company has no funds to meet its obligations.

Because of the cyclical nature of the business, the operation, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, plus the financing needs related to market-risk hedges, the Company requires liquid funds to meet its payment obligations.

The Company therefore manages its cash and cash equivalents and its financial assets, matching the term of investments with those of its obligations. The Company's policy is that the average term of its investments may not exceed the average term of its obligations. This cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Company has future obligations related to financial leases, operating leases, maturities of other bank borrowings, derivative contracts and aircraft purchase contracts.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of March 31, 2014 (Unaudited)
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal	Amortization	Effective	Nominal	
				90 days	90 days to one year	one to three years	three to five years	five years		ThUS\$		rate	rate	
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			%	%	
Loans to exporters														
97.032.000-8	BBVA	Chile	US\$	30,100	-	-	-	-	30,100	30,000	At expiration	1.00%	1.00%	
97.036.000-K	SANTANDER	Chile	US\$	50,088	-	-	-	-	50,088	50,000	At expiration	0.70%	0.70%	
97.030.000-7	ESTADO	Chile	US\$	40,151	-	-	-	-	40,151	40,000	At expiration	0.85%	0.85%	
Bank loans														
97.036.000-K	SANTANDER	Chile	US\$	877	789	77,507	-	-	79,173	77,507	At expiration	3.17%	3.17%	
97.023.000-9	CORPBANCA	Chile	UF\$	17,883	53,073	133,084	65,452	-	269,492	243,750	Quarterly	4.85%	4.85%	
0-E	CITIBANK	Argentina	ARS\$	12,923	-	-	-	-	12,923	12,497	Monthly	20.75%	20.75%	
0-E	BBVA	Argentina	ARS\$	1,389	23,077	-	-	-	24,466	22,494	Monthly	23.78%	23.78%	
Guaranteed obligations														
0-E	CREDIT AGRICOLE	France	US\$	17,835	47,859	116,792	53,026	37,116	272,628	265,436	Quarterly	1.46%	1.22%	
0-E	PEFCO	U.S.A.	US\$	2,280	4,560	-	-	-	6,840	6,745	Quarterly	3.06%	2.73%	
0-E	BNP PARIBAS	U.S.A.	US\$	11,392	34,363	93,664	96,776	225,503	461,698	409,378	Quarterly	2.45%	2.31%	
0-E	WELLS FARGO	U.S.A.	US\$	35,485	106,552	284,837	285,869	805,524	1,518,267	1,393,219	Quarterly	2.26%	1.57%	
0-E	CITIBANK	U.S.A.	US\$	7,481	22,571	61,220	62,793	130,378	284,443	273,354	Quarterly	1.39%	0.83%	
97.036.000-K	SANTANDER	Chile	US\$	5,443	16,395	44,453	45,571	90,905	202,767	195,579	Quarterly	1.32%	0.78%	
0-E	BTMU	U.S.A.	US\$	2,911	8,749	23,798	24,484	61,883	121,825	115,491	Quarterly	1.64%	1.04%	
0-E	APPLE BANK	U.S.A.	US\$	1,425	4,299	11,700	12,055	30,923	60,402	57,238	Quarterly	1.63%	1.04%	
0-E	US BANK	U.S.A.	US\$	18,778	56,209	149,082	147,837	431,903	803,809	690,152	Quarterly	3.99%	2.81%	
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,844	17,475	47,248	36,831	89,955	197,353	168,688	Quarterly	3.26%	3.26%	
0-E	NATIXIS	France	US\$	2,256	6,962	19,942	22,162	5,916	57,238	56,780	Quarterly	0.69%	0.26%	
Other guaranteed obligations														
0-E	DVB BANK SE	U.S.A.	US\$	8,183	24,580	57,527	-	-	90,290	87,589	Quarterly	1.98%	1.98%	
0-E	CREDIT AGRICOLE	U.S.A.	US\$	5,935	17,693	62,770	-	-	86,398	83,608	Quarterly	1.74%	1.74%	
Financial leases														
0-E	ING	U.S.A.	US\$	9,078	27,329	68,669	39,663	24,209	168,948	149,230	Quarterly	4.71%	4.22%	
0-E	CREDIT AGRICOLE	France	US\$	5,120	11,277	34,723	22,931	15,195	89,246	85,891	Quarterly	1.21%	1.21%	
0-E	CITIBANK	U.S.A.	US\$	6,083	18,250	48,667	48,667	32,513	154,180	128,364	Quarterly	6.40%	5.67%	
0-E	PEFCO	U.S.A.	US\$	17,562	52,671	140,465	104,147	17,440	332,285	294,907	Quarterly	5.35%	4.75%	
0-E	BNP PARIBAS	U.S.A.	US\$	8,007	24,095	65,024	53,034	5,385	155,545	140,892	Quarterly	4.64%	4.14%	
0-E	WELLS FARGO	U.S.A.	US\$	5,599	16,803	44,737	44,649	63,111	174,899	152,202	Quarterly	3.98%	3.53%	
0-E	BANC OF AMERICA	U.S.A.	US\$	937	2,108	4,926	-	-	7,971	7,489	Monthly	1.41%	1.41%	
Other loans														
0-E	BOEING	U.S.A.	US\$	751	2,816	236,362	-	-	239,929	233,831	At expiration	1.75%	1.75%	
0-E	CITIBANK (*)	U.S.A.	US\$	6,675	20,250	151,150	209,745	183,639	571,459	450,000	Quarterly	6.00%	6.00%	
Hedging derivatives														
-	OTHERS	-	US\$	11,172	31,423	57,275	13,713	685	114,268	108,833	-	-	-	
Non - hedging derivatives														
-	OTHERS	-	US\$	1,095	3,111	625	-	-	4,831	3,873	-	-	-	
Total				350,738	655,339	2,036,247	1,389,405	2,252,183	6,683,912	6,035,017				

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

Class of liability for the analysis of liquidity risk ordered by date of maturity as of March 31, 2014 (Unaudited)
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate	Nominal rate
				90 days	90 days to one year	one to three years	three to five years	five years					
Bank loans													
0-E	BANCO DO BRASIL S.A.	Brazil	US\$	31,172	107,427	-	-	-	138,599	128,799	At Expiration	5.12%	4.59%
0-E	BANCO ITAU BBA	Brazil	US\$	39,130	12,185	-	-	-	51,315	47,220	At Expiration	7.02%	5.26%
0-E	BANCO SAFRA	Brazil	US\$	23,219	-	-	-	-	23,219	21,731	At Expiration	3.63%	3.10%
0-E	BANCO SAFRA	Brazil	BRL	206	287	22	-	-	515	508	Monthly	7.42%	7.42%
0-E	BANCO BRADESCO	Brazil	US\$	51,151	-	-	-	-	51,151	47,641	At Expiration	3.99%	3.39%
0-E	BANCO BRADESCO	Brazil	BRL	47,956	-	-	-	-	47,956	44,189	At Expiration	12.54%	12.31%
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	186	495	1,320	1,320	1,870	5,191	4,112	Monthly	6.01%	6.01%
Obligation with the public													
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	60,674	62,627	190,700	457,662	938,513	1,710,176	1,100,000	At Expiration	7.93%	6.80%
Financial leases													
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,842	7,728	20,609	20,609	16,316	68,104	56,558	Monthly	1.25%	1.25%
0-E	AIR CANADA	U.S.A.	US\$	560	-	-	-	-	560	582	Monthly	-	-
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,574	10,476	29,177	20,112	13,765	77,104	72,331	Monthly	1.42%	1.42%
0-E	AWAS	U.S.A.	US\$	4,543	554	-	-	-	5,097	2,659	Monthly	-	-
0-E	BNP PARIBAS	U.S.A.	US\$	732	2,026	5,773	6,361	7,819	22,711	21,502	Quarterly	1.00%	1.00%
0-E	BNP PARIBAS	France	US\$	872	2,397	6,389	6,392	9,586	25,636	21,781	Quarterly	0.75%	0.86%
0-E	CITIBANK	England	US\$	7,050	19,330	48,656	50,436	103,464	228,936	216,607	Quarterly	0.89%	1.03%
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,979	14,164	54,346	12,113	13,021	98,623	93,687	Quarterly	1.41%	1.41%
0-E	CREDIT AGRICOLE -CIB	France	US\$	3,976	11,102	14,743	5,496	9,628	44,945	42,709	Semiannual/Quarterly	1.63%	1.70%
0-E	DVB BANK SE	Germany	US\$	3,357	9,737	9,496	-	-	22,590	21,875	Quarterly	2.50%	2.50%
0-E	DVB BANK SE	U.S.A.	US\$	212	617	1,158	165	-	2,152	2,082	Monthly	1.74%	1.74%
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,717	45,152	-	-	-	48,869	48,548	Monthly	1.25%	1.25%
0-E	HSBC	France	US\$	1,615	4,489	12,186	12,501	36,126	66,917	62,988	Quarterly	1.25%	1.45%
0-E	KFW IPEX-BANK	Germany	US\$	4,476	13,138	29,539	20,864	15,979	83,996	78,842	Monthly/Quarterly	1.74%	1.74%
0-E	NATIXIS	France	US\$	4,631	15,428	39,359	40,085	110,208	209,711	183,339	Semiannual/Quarterly	3.64%	3.64%
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	3,526	10,223	42,426	19,220	36,467	111,862	103,623	Monthly	1.71%	1.71%
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	612	1,646	3,848	3,121	14,232	23,459	21,285	Quarterly	2.00%	2.00%
0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,428	-	-	-	-	1,428	1,425	Monthly	1.25%	1.25%
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	14,166	38,012	97,027	103,170	92,199	344,574	322,323	Quarterly	3.73%	3.81%
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	581	1,677	4,548	4,660	6,030	17,496	16,879	Quarterly	0.57%	0.57%
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	237	481	-	-	-	718	768	Monthly	11.16%	11.16%
0-E	BANCO IBM S.A	Brazil	BRL	135	218	670	224	-	1,247	947	Monthly	10.58%	10.58%
0-E	HP FINANCIAL SERVICE	Brazil	BRL	345	973	2,595	-	-	3,913	3,387	Monthly	9.90%	9.90%
0-E	SOCIETE AIR FRANCE	France	EUR	869	1,210	-	-	-	2,079	1,311	Monthly	6.82%	6.82%
0-E	SOCIÉTÉ GÉNÉRALE	France	BRL	116	366	1,135	671	-	2,288	1,825	Monthly	11.06%	11.06%
Other loans													
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	28,832	3,255	-	-	-	32,087	32,087	Monthly	2.85%	2.85%
Total				351,677	397,420	615,722	785,182	1,425,223	3,575,224	2,826,150			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of March 31, 2014 (Unaudited)
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				90 days	90 days to one year	one to three years	three to five years	five years					
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	938,397	27,126	-	-	-	965,523	965,523	-	-	-
			US\$	1,105	3,319	-	-	-	4,424	4,194	Quarterly	2.11%	2.11%
			CLP	52,351	-	-	-	-	52,351	52,351	-	-	-
			BRL	16,781	105	-	-	-	16,886	16,886	-	-	-
			BRL	4,828	15,168	-	-	-	19,996	14,507	Monthly	9.64%	9.64%
			Others currencies	140,391	(1,487)	-	-	-	138,904	138,904	-	-	-
Accounts payable, non-current													
-	OTHERS	OTHERS	US\$	-	-	10,449	-	-	10,449	10,350	Quarterly	2.11%	2.11%
-			BRL	-	-	41,961	55,252	220,769	317,982	182,270	Monthly	9.64%	9.64%
Accounts payable to related parties currents													
96.847.880-K	LUFTHANSA LAN TECHNICAL TRAINING S.A.	Chile	US\$	518	-	-	-	-	518	518	-	-	-
78.591.370-1	BETHIA S.A. Y FILIALES	Chile	CLP	4	-	-	-	-	4	4	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	73	-	-	-	-	73	73	-	-	-
	Total			<u>1,154,448</u>	<u>44,231</u>	<u>52,410</u>	<u>55,252</u>	<u>220,769</u>	<u>1,527,110</u>	<u>1,385,580</u>			
	Total consolidated			<u>1,856,863</u>	<u>1,096,990</u>	<u>2,704,379</u>	<u>2,229,839</u>	<u>3,898,175</u>	<u>11,786,246</u>	<u>10,246,747</u>			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

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

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

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

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

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				90 days	90 days to one year	one to three years	three to five years	five years					
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	814,354	7,245	-	-	-	821,599	821,599	-	-	-
			US\$	1,104	3,318	-	-	-	4,422	4,141	Quarterly	2.01%	2.01%
			CLP	16,364	6	-	-	-	16,370	16,370	-	-	-
			BRL	207,758	8	-	-	-	207,766	207,766	-	-	-
			Others currencies	213,904	615	-	-	-	214,519	214,519	-	-	-
Accounts payable, non-current													
-	OTHERS	OTHERS	US\$	-	-	11,557	-	-	11,557	11,400	Quarterly	2.01%	2.01%
Accounts payable to related parties currents													
96.847.880-K	LUFTHANSA LAN TECHNICAL TRAINING S.A.	Chile	US\$	187	-	-	-	-	187	187	-	-	-
78.591.370-1	BETHIA S.A. Y FILIALES	Chile	CLP	14	-	-	-	-	14	14	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	304	-	-	-	-	304	304	-	-	-
	Total			<u>1,253,989</u>	<u>11,192</u>	<u>11,557</u>	<u>-</u>	<u>-</u>	<u>1,276,738</u>	<u>1,276,300</u>			
	Total consolidated			<u>2,120,654</u>	<u>1,462,423</u>	<u>2,744,615</u>	<u>2,385,755</u>	<u>4,376,097</u>	<u>13,089,544</u>	<u>11,402,831</u>			

The Company has fuel, interest rate and exchange rate hedging strategies involving derivatives contracts with different financial institutions. The Company has margin facilities with each financial institution in order to regulate the mutual exposure produced by changes in the market valuation of the derivatives.

At the end of 2013, the Company provided US\$ 94.3 million in derivative margin guarantees, for cash and stand-by letters of credit. At March 31, 2014, the Company had provided US\$ 86.4 million in guarantees for Cash and cash equivalent and stand-by letters of credit. The fall was due at i) maturity of hedge contracts, ii) acquire of new fuel purchase contracts and exchange rate R\$/US\$, and iii) changes in fuel prices, exchange rate R\$/US\$ and interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to safeguard it in order to continue as an on-going business, (ii) to seek a return for its shareholders, and (iii) to maintain an optimum capital structure and reduce its costs.

In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors the adjusted leverage ratio, in line with industry practice. This index is calculated as net adjusted debt divided by the sum of adjusted equity and net adjusted debt. Net adjusted debt is total financial debt plus 8 times the operating lease payments of the last 12 months, less total cash (measured as the sum of cash and cash equivalents plus marketable securities). Adjusted capital is the amount of net equity without the impact of the market value of derivatives.

The Company's strategy, which has not changed since 2007, has consisted of maintaining a leverage ratio of between 70% and 80% and an international credit rating of higher than BBB- (the minimum required for being considered investment grade). As a result of consolidation with TAM S.A. and Subsidiaries, the rating agency Fitch has issued on May 3, 2013 a new long-term rating for the Company of BB with stable perspective (which is not an investment grade rating). Additionally, on June 10, 2013, S&P issued a long term rating of BB, with a positive outlook.

The leverage ratios as of March 31, 2014, and December 31, 2013, were as follows:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Total financial loans	8,742,677	9,830,866
Last twelve months Operating lease payment x 8	3,699,560	3,528,616
Less:		
Cash and marketable securities	(1,896,656)	(2,561,574)
Total net adjusted debt	<u>10,545,581</u>	<u>10,797,908</u>
Net Equity	5,477,525	5,238,821
Cash flow hedging reserve	61,265	34,508
Adjusted equity	<u>5,538,790</u>	<u>5,273,329</u>
Total adjusted debt and equity	<u>16,084,371</u>	<u>16,071,237</u>
Adjusted leverage	65.6%	67.2%

See information related to financial covenants in Note 35 (a).

3.3. Estimates of fair value.

At March 31, 2014, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

1. Hedge Instruments:

This category includes the following instruments:

- Interest rate derivative contracts,
- Fuel derivative contracts,
- Currency derivative contracts

2. Financial Investments:

This category includes the following instruments:

- Investments in short-term Mutual Funds (cash equivalent),
- Bank certificate of deposit – CBD,
- Private investment funds and
- Financial letters

The Company has classified the fair value measurement using a hierarchy that reflects the level of information used in the assessment. This hierarchy consists of 3 levels (I) fair value based on quoted prices in active markets for identical assets or liabilities, (II) fair value calculated through valuation methods based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and (III) fair value based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets, such as investments acquired for trading, is based on quoted market prices at the close of the period using the current price of the buyer. The fair value of financial assets not traded in active markets (derivative contracts) is determined using valuation techniques that maximize use of available market information. Valuation techniques generally used by the Company are quoted market prices of similar instruments and / or estimating the present value of future cash flows using forward price curves of the market at period end.

The following table shows the classification of financial instruments at fair value, depending on the level of information used in the assessment:

As of March 31, 2014 (Unaudited)

	<u>Fair value</u>	Fair value measurements using values considered as		
		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Assets				
Cash and cash equivalents	313,597	313,597	-	-
Short-term mutual funds	313,597	313,597	-	-
Other financial assets, current	741,213	678,523	62,690	-
Fair value of interest rate derivatives	5	-	5	-
Fair value of fuel derivatives	2,742	-	2,742	-
Fair value of foreign currency derivatives	2,737	-	2,737	-
Interest accrued since the last payment date of Currency Swap	412	-	412	-
Private investment funds	677,436	677,436	-	-
Certificate of deposit CDB	28,813	-	28,813	-
Domestic and foreign bonds	364	364	-	-
Time deposit	27,981	-	27,981	-
Other investments	723	723	-	-
Liabilities				
Other financial liabilities, current	72,233	-	72,233	-
Fair value of interest rate derivatives	28,212	-	28,212	-
Fair value of fuel derivatives	1,997	-	1,997	-
Fair value of foreign currency derivatives	32,652	-	32,652	-
Interest accrued since the last payment date of Currency Swap	5,436	-	5,436	-
Interest rate derivatives not recognized as a hedge	3,936	-	3,936	-
Other financial liabilities, non current	48,532	-	48,532	-
Fair value of interest rate derivatives	47,974	-	47,974	-
Interest rate derivatives not recognized as a hedge	558	-	558	-

As of December 31, 2013

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

Additionally, at March 31, 2014, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

	As of March 31, 2014		As of December 31, 2013	
	Book	Fair	Book	Fair
	value	value	value	value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Cash and cash equivalents	847,742	847,742	1,405,554	1,405,554
Cash on hand	5,134	5,134	6,017	6,017
Bank balance	219,580	219,580	229,935	229,935
Overnight	496,727	496,727	508,781	508,781
Time deposits	46,301	46,301	660,821	660,821
Agreements	80,000	80,000	-	-
Other financial assets	67,406	67,406	84,858	84,858
Other financial assets	67,406	67,406	84,858	84,858
Trade and other accounts receivable current	1,550,482	1,550,482	1,633,094	1,633,094
Accounts receivable from related entities	302	302	628	628
Other financial assets, non current	70,693	70,693	65,289	65,289
Accounts receivable	80,199	80,199	100,775	100,775
Other financial liabilities, current	1,448,727	1,595,416	1,969,281	2,128,096
Trade and other accounts payables	1,535,315	1,535,315	1,557,736	1,557,736
Accounts payable to related entities	595	595	505	505
Other financial liabilities, non current	7,238,547	7,367,828	7,803,588	7,910,446
Accounts payable, non-current	941,648	941,648	922,887	922,887

The book values of accounts receivable and payable are assumed to approximate their fair values, due to their short-term nature. In the case of cash on hand, bank balances, deposits and accounts payable, non-current, fair value approximates their carrying values.

The fair value of Other financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments. In the case of Other financial assets, the valuation was performed according to market prices at period end.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

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

- (a) The evaluation of possible impairment losses for certain assets.
- (b) The useful lives and residual values of fixed and intangible assets.
- (c) The criteria employed in the valuation of certain assets.
- (d) Air tickets sold that are not actually used.
- (e) The calculation of deferred income at the end of the period, corresponding to the valuation of kilometers or points credited to holders of the loyalty programs which have not yet been used.
- (f) The need for provisions and where required, the determination of their values.
- (g) The recoverability of deferred tax assets.

These estimates are made on the basis of the best information available on the matters analyzed.

In any case, it is possible that events will require modification of the estimates in the future, in which case the effects would be accounted for prospectively.

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

(*) Squeeze-Out: mechanism granted by the Brazilian legislation, under which a compulsory were rescued all TAM shares that were not exchanged in the exchange offer or contributed by controlling shareholders of TAM.

In addition, LATAM is in process of integrating operations with TAM, and both entities will be operated as a single company. Within this, most critical airline activities will be managed in Brazil under the TAM CEO and globally by the LATAM CEO, who will be in charge of the overall operation of the LATAM Group and who will report to the LATAM board. Further, the LATAM CEO will evaluate performance of the LATAM Group executives and, together with the LATAM board, determine compensation. Although there are restrictions on voting interests that currently may be held by foreign investors under Brazilian law, LATAM believes that the economic substance of these arrangements satisfies the requirements established by the applicable accounting standards and that consolidation by LATAM of TAM's operations is appropriate.

NOTE 5 - SEGMENTAL INFORMATION

The Company reports information by segments as established in IFRS 8 “Operating segments”. This standard sets rules for the reporting of information by segments in the financial statements, plus reporting about products and services, geographical areas and principal customers.

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

The Company has determined that it has two operating segments: the air transportation business and the coalition and loyalty program Multiplus.

The Air transport segment corresponds to the route network for air transport and it is based on the way that the business is run and managed, according to the centralized nature of its operations, the ability to open and close routes and reallocate resources (aircraft, crew, staff, etc..) within the network, which is a functional relationship between all of them, making them inseparable. This segment definition is the most common level used by the global airline industry.

The segment of loyalty coalition called Multiplus, unlike Lan Pass and TAM Fidelidade, is a frequent flyer programs which operate as a unilateral system of loyalty that offers a flexible coalition system, interrelated among its members, with eleven millions of members, along with being a government entity with a separately business and not directly related to air transport.

For the period ended

	Air transportation At March 31,		Coalition and loyalty program Multiplus At March 31,		Eliminations At March 31,		Consolidated At March 31,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited							
Income from ordinary activities from external customers	2,990,540	3,178,101	100,716	153,671	-	-	3,091,256	3,331,772
LAN passenger	1,174,194	1,227,935	-	-	-	-	1,174,194	1,227,935
TAM passenger	1,413,701	1,489,772	-	-	-	-	1,413,701	1,489,772
Freight	402,645	460,394	-	-	-	-	402,645	460,394
Income from ordinary activities from transactions with other operating segments	100,716	153,767	53,113	23,135	(153,829)	(176,902)	-	-
Income from ordinary activities from interest	-	-	-	-	-	-	-	-
Other operating income	51,503	66,610	34,676	10,585	-	-	86,179	77,195
Interest income	6,495	26,697	13,046	4,459	-	(1,329)	19,541	29,827
Interest expense	(131,384)	(111,140)	-	(364)	-	1,329	(131,384)	(110,175)
Total net interest expense	<u>(124,889)</u>	<u>(84,443)</u>	<u>13,046</u>	<u>4,095</u>	<u>-</u>	<u>-</u>	<u>(111,843)</u>	<u>(80,348)</u>

For the period ended

	Air transportation At March 31,		Coalition and loyalty program Multiplus At March 31,		Eliminations At March 31,		Consolidated At March 31,	
	2014	2013	2014	2013	2014	2013	2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited							
Depreciation and amortization	(244,147)	(289,958)	(1,443)	(935)	-	-	(245,590)	(290,893)
Material non-cash items other than depreciation and amortization	51,412	28,275	(17)	92	-	-	51,395	28,367
Disposal of fixed assets and inventory losses	(2,214)	(5,778)	(32)	(4)	-	-	(2,246)	(5,782)
Doubtful accounts	(3,346)	1,071	25	78	-	-	(3,321)	1,149
Exchange differences	57,000	32,979	(10)	18	-	-	56,990	32,997
Result of indexation units	(28)	3	-	-	-	-	(28)	3
Segment profit	(69,635)	15,959	28,302	26,786	-	-	(41,333)	42,745
Participation of the entity in the income of associates	(2,413)	356	(863)	-	-	-	(3,276)	356
Expenses for income tax	5,351	(20,778)	(17,810)	(12,095)	-	-	(12,459)	(32,873)
Assets of segment	19,726,483	20,531,960	1,960,138	2,100,265	(7,763)	(214,606)	21,678,858	22,417,619
Investments in associates	1,160	1,975	2,236	962	-	-	3,396	2,937
Amount of non-current asset additions (*)	177,309	415,519	-	-	-	-	177,309	415,519
Property, plant and equipment	156,942	402,843	-	-	-	-	156,942	402,843
Intangibles other than goodwill	20,367	12,676	-	-	-	-	20,367	12,676
Segment liabilities	15,452,593	16,293,324	794,190	816,298	(130,638)	(96,816)	16,116,145	17,012,806
Purchase of non-monetary assets of segment	208,030	383,032	-	-	-	-	208,030	383,032

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

	For the period ended	
	At March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	<u>Unaudited</u>	
Peru	153,109	150,122
Argentina	245,605	284,041
U.S.A.	325,902	341,336
Europe	249,335	249,574
Colombia	83,269	90,235
Brazil	1,281,888	1,499,500
Ecuador	56,513	69,973
Chile	423,411	442,058
Asia Pacific and rest of Latin America	272,224	204,933
Income from ordinary activities	<u>3,091,256</u>	<u>3,331,772</u>
Other operating income	<u>86,179</u>	<u>77,195</u>

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Cash on hand	5,134	6,017
Bank balances	219,580	229,935
Overnight	<u>496,727</u>	<u>508,781</u>
Total Cash	<u>721,441</u>	<u>744,733</u>
Cash equivalents		
Time deposits	46,301	660,821
Agreements	80,000	-
Mutual funds	<u>313,597</u>	<u>579,349</u>
Total cash equivalents	<u>439,898</u>	<u>1,240,170</u>
Total cash and cash equivalents	<u><u>1,161,339</u></u>	<u><u>1,984,903</u></u>

Cash and cash equivalents are denominated in the following currencies at March 31, 2014, and December 31, 2013:

<u>Currency</u>	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Argentine peso	23,798	59,018
Brazilian real	86,703	253,392
Chilean peso (*)	14,939	229,918
Colombian peso	19,225	28,132
Euro	18,587	16,571
US Dollar	807,619	1,200,828
Strong bolivar (**)	148,493	162,809
Other currencies	<u>41,975</u>	<u>34,235</u>
Total	<u><u>1,161,339</u></u>	<u><u>1,984,903</u></u>

(*) The Company entered into currency derivative contracts (forward) at March 31, 2014 (ThUS\$ 174,020 as of December 31, 2013), for conversion into dollars of investments in pesos.

(**) In Venezuela, effective 2003, the authorities decreed that all remittances abroad should be approved by the Currency Management Commission (CADIVI). Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela. At March 31, 2014, the restricted amount, expressed in dollars at the exchange rate of 6.30 VEF/US\$ is ThUS\$ 148,493 (ThUS\$ 162,809 at December 31, 2013).

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

Other inflows (outflows) of cash at March 31, 2014 and March 31, 2013 are detailed as follow:

	For the periods ended March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	<u>Unaudited</u>	
Currency hedge	5,478	-
Fuel hedge	5,027	(8,857)
Hedging margin guarantees	7,984	69,694
Guarantees	(6,736)	1,552
Commodities fuel derivatives	(1,385)	(1,382)
Bank commissions, taxes paid and other	<u>(3,398)</u>	<u>(5,351)</u>
Total Other inflows (outflows) Operation flow	<u>6,970</u>	<u>55,656</u>
Certificate of bank deposits	<u>(25,217)</u>	<u>78,171</u>
Total Other inflows (outflows) Investment flow	<u>(25,217)</u>	<u>78,171</u>
Aircraft Financing advances	62,993	(21,631)
Credit card loan manager	3,185	42,405
Settlement of derivative contracts	(11,235)	(24,556)
Other	<u>-</u>	<u>(4,956)</u>
Total Other inflows (outflows) Financing flow	<u>54,943</u>	<u>(8,738)</u>

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of March 31, 2014 (Unaudited)

<u>Assets</u>	<u>Loans and receivables</u>	<u>Hedge derivatives</u>	<u>Held for trading</u>	<u>Initial designation as fair value through profit and loss</u>	<u>Total</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	847,742	-	-	313,597	1,161,339
Other financial assets, current (*)	65,456	5,896	2,314	734,953	808,619
Trade and others					
accounts receivable, current	1,550,482	-	-	-	1,550,482
Accounts receivable from related entities, current	302	-	-	-	302
Other financial assets, non current (*)	70,187	-	506	-	70,693
Accounts receivable, non current	80,199	-	-	-	80,199
Total	<u>2,614,368</u>	<u>5,896</u>	<u>2,820</u>	<u>1,048,550</u>	<u>3,671,634</u>
<u>Liabilities</u>		<u>Other financial liabilities</u>	<u>Hedge derivatives</u>	<u>Held for trading</u>	<u>Total</u>
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current		1,448,727	68,297	3,936	1,520,960
Trade and others					
accounts payable, current		1,535,315	-	-	1,535,315
Accounts payable to related entities, current		595	-	-	595
Other financial liabilities, non-current		7,238,547	47,974	558	7,287,079
Accounts payable, non-current		941,648	-	-	941,648
Total		<u>11,164,832</u>	<u>116,271</u>	<u>4,494</u>	<u>11,285,597</u>

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

At December 31, 2013

<u>Assets</u>	Initial designation				
	Loans and receivables	Hedge derivatives	Held for trading	as fair value through profit and loss	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	1,405,554	-	-	579,349	1,984,903
Other financial assets, current (*)	83,136	48,415	2,073	576,320	709,944
Trade and others					
accounts receivable, current	1,633,094	-	-	-	1,633,094
Accounts receivable from related entities, current	628	-	-	-	628
Other financial assets, non current (*)	64,783	-	506	-	65,289
Accounts receivable, non current	100,775	-	-	-	100,775
Total	3,287,970	48,415	2,579	1,155,669	4,494,633
<u>Liabilities</u>		Other financial liabilities	Hedge derivatives	Held for trading	Total
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current		1,969,281	66,466	4,040	2,039,787
Trade and others					
accounts payable, current		1,557,736	-	-	1,557,736
Accounts payable to related entities, current		505	-	-	505
Other financial liabilities, non-current		7,803,588	54,906	1,491	7,859,985
Accounts payable, non-current		922,887	-	-	922,887
Total		12,253,997	121,372	5,531	12,380,900

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

7.2. Financial instruments by currency

a) Assets	As of	As of
	March 31, 2014	December 31, 2013
	ThUS\$	ThUS\$
	Unaudited	
Cash and cash equivalents	1,161,339	1,984,903
Argentine peso	23,798	59,018
Brazilian real	86,703	253,392
Chilean peso	14,939	229,918
Colombian peso	19,225	28,132
Euro	18,587	16,571
US Dollar	807,619	1,200,828
Strong bolívar	148,493	162,809
Other currencies	41,975	34,235
Other financial assets (current and non-current)	879,312	775,233
Argentine peso	100	1,007
Brazilian real	773,701	610,242
Chilean peso	27,045	27,555
Colombian peso	1,231	2,550
Euro	4,626	5,494
US Dollar	71,477	127,294
Strong bolívar	43	14
Other currencies	1,089	1,077
Trade and other accounts receivable, current	1,550,482	1,633,094
Argentine peso	52,454	27,343
Brazilian real	749,802	802,789
Chilean peso	81,116	82,880
Colombian peso	4,885	9,762
Euro	26,749	21,479
US Dollar	459,511	520,991
Strong bolívar	791	2,353
Other currencies (*)	175,174	165,497
Accounts receivable, non-current	80,199	100,775
Brazilian real	1,166	1,194
Chilean peso	7,789	8,624
US Dollar	71,042	90,755
Other currencies	202	202
Accounts receivable from related entities, current	302	628
Brazilian real	58	162
Chilean peso	244	466
Total assets	3,671,634	4,494,633
Argentine peso	76,352	87,368
Brazilian real	1,611,430	1,667,779
Chilean peso	131,133	349,443
Colombian peso	25,341	40,444
Euro	49,962	43,544
US Dollar	1,409,649	1,939,868
Strong bolívar	149,327	165,176
Other currencies	218,440	201,011

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
(*) Other currencies	175,174	165,497
Australian Dollar	19,219	26,198
Chinese Yuan	25,268	22,887
Danish krone	7,652	6,899
Pound Sterling	23,893	15,256
Indian Rupee	6,431	5,343
Japanese Yen	5,793	10,332
Norwegian Kroner	17,024	14,970
Swiss Franc	8,256	6,645
Korean Won	18,907	16,929
New Taiwanese Dollar	10,118	9,670
Other currencies	32,613	30,368

b) **Liabilities**

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

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

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$ Unaudited
Trade accounts receivable	1,441,444	1,552,489
Other accounts receivable	264,839	251,982
Total trade and other accounts receivable	<u>1,706,283</u>	<u>1,804,471</u>
Less: Allowance for impairment loss	(75,602)	(70,602)
Total net trade and accounts receivable	<u>1,630,681</u>	<u>1,733,869</u>
Less: non-current portion – accounts receivable	(80,199)	(100,775)
Trade and other accounts receivable, current	<u><u>1,550,482</u></u>	<u><u>1,633,094</u></u>

The fair value of trade and other accounts receivable does not differ significantly from the book value.

The maturity of these accounts at the end of each period is as follows:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$ Unaudited
Day	1,258,720	1,378,226
Expired from 1 to 90 days	83,435	72,417
Expired from 91 to 180 days	7,783	11,547
More than 180 days overdue (*)	15,904	19,697
Judicial, pre-judicial collection and protested documents	25,980	19,630
Debtor under pre-judicial collection process and portfolio sensitization	49,622	50,972
Total	<u><u>1,441,444</u></u>	<u><u>1,552,489</u></u>

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

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

	As of March 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
	Unaudited	
Expired from 1 to 90 days	83,435	72,417
Expired from 91 to 180 days	7,783	11,547
More than 180 days overdue	15,904	19,697
Total	<u>107,122</u>	<u>103,661</u>

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

	As of March 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
	Unaudited	
Judicial, pre-judicial collection and protested documents	25,980	19,630
Debtors under pre-judicial collection process and portfolio sensitization	49,622	50,972
Total	<u>75,602</u>	<u>70,602</u>

Currency balances that make up the Trade and other accounts receivable and Accounts receivable, at March 31, 2014 and December 31, 2013, are as follows:

<u>Currency</u>	As of March 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
	Unaudited	
Argentine Peso	52,454	27,343
Brazilian Real	750,968	803,983
Chilean Peso	88,905	91,504
Colombian peso	4,885	9,762
Euro	26,749	21,479
US Dollar	530,553	611,746
Strong bolivar	791	2,353
Other currency (*)	175,376	165,699
Total	<u>1,630,681</u>	<u>1,733,869</u>
 (*) Other currencies		
Australian Dollar	19,219	26,198
Chinese Yuan	25,268	22,887
Danish krone	7,652	6,899
Pound Sterling	23,893	15,256
Indian rupee	6,431	5,343
Japanese Yen	5,793	10,332
Norwegian kroner	17,024	14,970
Swiss Franc	8,256	6,645
Korean Won	18,907	16,929
New Taiwanese Dollar	10,118	9,670
Other currencies	32,815	30,570
Total	<u>175,376</u>	<u>165,699</u>

The Company records allowances when there is evidence of impairment of trade receivables. The criteria used to determine that there is objective evidence of impairment losses are the maturity of the portfolio, specific acts of damage (default) and specific market signals.

<u>Maturity</u>	<u>Impairment</u>
Judicial and pre-judicial collection assets	100%
Over 1 year	100%
Between 6 and 12 months	50%

The movement in the allowance for impairment loss of Trade and other accounts receivables between January 1, 2013 and March 31, 2014 is as follows:

	ThUS\$
As of January 1, 2013	(75,503)
Write-offs	4,302
(Increase) decrease in allowance	<u>(3,640)</u>
Closing balance as of March 31, 2013 (Unaudited)	<u>(74,841)</u>
As of April 1, 2013	(74,841)
Write-offs	5,626
(Increase) decrease in allowance	<u>(1,387)</u>
Closing balance as of December 31, 2013	<u>(70,602)</u>
As of January 1, 2014	(70,602)
Write-offs	19
(Increase) decrease in allowance	<u>(5,019)</u>
Closing balance as of March 31, 2014 (Unaudited)	<u>(75,602)</u>

Once pre-judicial and judicial collection efforts are exhausted, the assets are written off against the allowance. The Company only uses the allowance method rather than direct write-off, to ensure control.

Historic and current re-negotiations are not relevant and the policy is to analyze case by case in order to classify them according to the existence of risk, determining whether it is appropriate to re-classify accounts to pre-judicial recovery. If such re-classification is justified, an allowance is made for the account, whether overdue or falling due.

The maximum credit-risk exposure at the date of presentation of the information is the fair value of each one of the categories of accounts receivable indicated above.

	As of March 31, 2014			As of December 31, 2013		
	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\$
		Unaudited				
Trade accounts receivable	1,441,444	(75,602)	1,365,842	1,552,489	(70,602)	1,481,887
Other accounts receivable	264,839	-	264,839	251,982	-	251,982

There are no relevant guarantees covering credit risk and these are valued when they are settled; no materially significant direct guarantees exist. Existing guarantees, if appropriate, are made through IATA.

NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

The Accounts receivable from and payable to related entities as of March 31, 2014 and December 31, 2013, respectively, are as follows:

(a) Accounts Receivable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	As of	As of	<u>Currency</u>	<u>Transaction deadlines</u>	<u>Nature of transaction</u>
				March 31, 2014	December 31, 2013			
				ThUS\$	ThUS\$			
				Unaudited				
78.591.370-1	Bethia S.A. y Filiales	Others related parties	Chile	228	441	CLP	30 to 45 days	Monetary
79.773.440-1	Transportes San Felipe S.A.	Others related parties	Chile	-	1	CLP	30 to 45 days	Monetary
87.752.000-5	Granja Marina Tornagaleones S.A.	Others related parties	Chile	16	24	CLP	30 to 45 days	Monetary
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Others related parties	Brazil	2	2	BRL	30 to 45 days	Monetary
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Others related parties	Brazil	14	14	BRL	30 to 45 days	Monetary
Foreign	Prisma Fidelidade S.A.	Others related parties	Brazil	42	146	BRL	30 to 45 days	Monetary
	Total current assets			<u>302</u>	<u>628</u>			

(b) Accounts payable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$	<u>Currency</u>	<u>Transaction deadlines</u>	<u>Nature of transaction</u>
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	518	187	US\$	30 to 45 days	Monetary
78.591.370-1	Bethia S.A. and Subsidiaries	Other related parties	Chile	4	14	CLP	30 to 45 days	Monetary
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	<u>73</u>	<u>304</u>	US\$	30 to 45 days	Monetary
	Total current liabilities			<u>595</u>	<u>505</u>			

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

NOTE 10 -INVENTORIES

The Inventories March 31, 2014 and December 31, 2013 respectively, are detailed below:

	As of March 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
	Unaudited	
Technical stock	200,646	190,202
Non-technical stock	<u>43,114</u>	<u>40,826</u>
Total production suppliers	<u><u>243,760</u></u>	<u><u>231,028</u></u>

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence that as of March 31, 2014 amounts to ThUS\$ 2,965 (ThUS\$ 1,757 as of December 31, 2013). The resulting amounts do not exceed the respective net realizable values.

As of March 31, 2014, the Company recorded ThUS\$ 43,148 (ThUS\$ 34,561 as of March 31, 2013) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of sales.

NOTE 11 - TAX ASSETS

The composition of Tax assets is as follows:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Provisional monthly payments (advance)	79,098	61,570
Other credits recovery	24,916	20,320
Total current	<u>104,014</u>	<u>81,890</u>

NOTE 12 - OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Current		
(a) Other financial assets	802,723	661,529
(b) Hedging asset	5,896	48,415
Total current	<u>808,619</u>	<u>709,944</u>
Non-current		
(a) Other financial assets	70,693	65,289
Total non-current	<u>70,693</u>	<u>65,289</u>

(a) Other financial assets

Other financial assets as of March 31, 2014 and December 31, 2013, respectively, are as follows:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Current		
Private investment funds	677,436	544,182
Deposits in guarantee (aircraft)	43,180	51,879
Certificate of deposit (CBD)	28,813	2,374
Time deposits	27,981	28,181
Guarantees for margins of derivatives	20,061	28,157
Other investments	723	1,583
Domestic and foreign bonds	364	351
Other guarantees given	<u>4,165</u>	<u>4,822</u>
Total current	<u>802,723</u>	<u>661,529</u>
Non-current		
Deposits in guarantee (aircraft)	55,687	49,893
Deposits in guarantee (loan)	11,285	11,753
Other guarantees given	3,215	3,137
Other investments	<u>506</u>	<u>506</u>
Total non-current	<u>70,693</u>	<u>65,289</u>
Total other financial assets	<u><u>873,416</u></u>	<u><u>726,818</u></u>

(b) Hedging assets

Hedging assets as of March 31, 2014 and December 31, 2013, are as follows:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Current		
Interest accrued since the last payment date of currency Swap	412	483
Fair value of interest rate derivatives	5	6
Fair value of foreign currency derivatives	2,737	32,058
Fair value of fuel price derivatives	<u>2,742</u>	<u>15,868</u>
Total current	<u>5,896</u>	<u>48,415</u>

The foreign currency derivatives exchange is collars and cross currency swap.

The types of derivative hedging contracts maintained by the Company at the end of each period are presented in Note 21.

NOTE 13 - OTHER NON-FINANCIAL ASSETS

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

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
(a) Advance payments	73,625	56,392
(b) Other assets	<u>255,115</u>	<u>279,225</u>
Total current	<u><u>328,740</u></u>	<u><u>335,617</u></u>
Non-Current		
(a) Advance payments	101,337	55,889
(b) Other assets	<u>283,473</u>	<u>216,387</u>
Total non-current	<u><u>384,810</u></u>	<u><u>272,276</u></u>

(a) Advance payments

Advance payments as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Aircraft leases	32,415	28,555
Aircraft insurance and other	17,723	13,180
Handling and ground handling services	673	286
Others	<u>22,814</u>	<u>14,371</u>
Total current	<u><u>73,625</u></u>	<u><u>56,392</u></u>
Non-Current		
Aircraft leases	61,806	17,332
Others	<u>39,531</u>	<u>38,557</u>
Total non-current	<u><u>101,337</u></u>	<u><u>55,889</u></u>
Total advance payments	<u><u>174,962</u></u>	<u><u>112,281</u></u>

(b) Other assets

Other assets as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Aircraft maintenance reserve (*)	121,047	152,797
Sales tax	128,507	120,215
Others taxes	4,392	5,556
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	627	657
Others	542	-
Total current	<u>255,115</u>	<u>279,225</u>
Non-current		
Aircraft maintenance reserve (*)	141,243	79,012
Judicial deposits	77,363	70,380
Sales tax	63,540	65,936
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	515	515
Others	812	544
Total non-current	<u>283,473</u>	<u>216,387</u>
Total other assets	<u><u>538,588</u></u>	<u><u>495,612</u></u>

(*)Aircraft maintenance reserves reflect prepayment deposits made by the group to lessors of certain aircraft under operating lease agreements in order to ensure that funds are available to support the scheduled heavy maintenance of the aircraft.

These amounts are calculated based on performance measures, such as flight hours or cycles, are payable periodically (usually monthly) and are contractually required to be repaid to the lessee upon the completion of the required maintenance of the leased aircraft. At the end of the lease term, any unused maintenance reserves are either returned to the Company in cash or used to offset amounts that we may owe the lessor as a maintenance adjustment.

In some cases (10 lease agreements), if the maintenance cost incurred by LATAM is less than the corresponding maintenance reserves, the lessor is entitled to retain those excess amounts at the time the heavy maintenance is performed. The Company periodically reviews its maintenance reserves for each of its leased aircraft to ensure that they will be recovered, and recognizes an expense if any such amounts are less than probable of being returned. Since the acquisition of TAM in June 2012, the cost of aircraft maintenance has been higher than the related maintenance reserves for all aircraft.

As of March 31, 2014, LATAM had ThUS\$ 244,831 in maintenance reserves (ThUS\$ 231,809 at December 31, 2013), corresponding to 21 aircraft out of a total fleet of 338 (21 aircraft out of a total fleet of 339 at December 31, 2013). All of the Company's aircraft leases containing provisions for maintenance reserves will expire fully by 2017.

Aircraft maintenance reserves are classified as current or non-current depending on the dates when the related maintenance is expected to be performed (Note 2.23).

NOTE 14 - NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups held for sale as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited
Aircraft	453	438
Rotables	1,408	1,362
Inventories on consignment	8	8
Engines	3	272
Scrapped aircraft	<u>365</u>	<u>365</u>
Total	<u><u>2,237</u></u>	<u><u>2,445</u></u>

During 2013, two A318-100, a Boeing B737-200 and four ATR42-300 aircraft were sold.

During 2014 have not been made assets sales of this segment.

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

The Company has no discontinued operations as of March 31, 2014.

NOTE 15 - INVESTMENTS IN SUBSIDIARIES

The Company has investments in companies recognized as investments in subsidiaries. All the companies defined as subsidiaries have been consolidated within the financial statements of LATAM Airlines Group S.A. and Subsidiaries. The consolidation also includes special-purpose entities and private investment funds.

The detail of significant subsidiaries and summarized financial information at March 31, 2014 and December 31, 2013 is presented below:

Significant subsidiaries detailed as of March 31, 2014

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

Significant subsidiaries detailed as of December 31, 2013

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

Summary financial information of significant subsidiaries

Name of significant subsidiary	Statement of financial position as of March 31, 2014						Results for the period ended March 31, 2014	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited						Unaudited	
Lan Perú S.A.	278,145	249,517	28,628	275,536	273,999	1,537	282,152	(7,408)
Lan Cargo S.A.	703,984	294,959	409,025	359,255	200,992	158,263	63,351	(14,384)
Lan Argentina S.A.	203,766	176,384	27,382	182,954	181,080	1,874	134,241	18,794
Transporte Aéreo S.A.	364,384	76,398	287,986	118,270	35,000	83,270	102,056	6,820
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	85,144	50,118	35,293	91,900	87,939	3,961	62,346	(7,381)
Aerovías de Integración Regional, AIRES S.A.	172,176	53,109	119,067	36,433	25,688	10,745	93,902	(12,766)
TAM S.A. (*)	8,629,653	2,529,679	6,099,974	7,596,841	3,072,323	4,524,518	1,663,758	28,094

Name of significant subsidiary	Statement of financial position as of December 31, 2013						Results for the period ended March 31, 2013	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited						Unaudited	
Lan Perú S.A.	263,516	237,577	25,939	252,109	250,699	1,410	284,449	(16,811)
Lan Cargo S.A.	772,640	360,733	411,907	413,527	233,363	180,164	66,977	1,812
Lan Argentina S.A.	214,426	192,590	21,836	205,672	203,567	2,105	140,693	5,403
Transporte Aéreo S.A.	359,693	69,459	290,234	120,399	37,049	83,350	103,522	8,840
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	94,160	58,867	35,293	93,535	89,802	3,733	74,467	(9,212)
Aerovías de Integración Regional, AIRES S.A.	188,518	69,591	118,927	36,009	24,936	11,073	68,498	(16,269)
TAM S.A. (*)	8,695,458	2,372,047	6,323,411	7,983,671	3,249,581	4,734,090	1,737,739	12,391

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

NOTE 16 - EQUITY ACCOUNTED INVESTMENTS

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

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
(a) Related companies	1,160	3,572
(b) Joint Ventures	<u>2,236</u>	<u>3,024</u>
Equity accounted investments	<u><u>3,396</u></u>	<u><u>6,596</u></u>

(a) Related Companies

The following summarized financial information is the sum of the financial statements of the investees, corresponding to the statements of financial position as of March 31, 2014 and December 31, 2013, and the statements of income, for the periods ended at March 31, 2014, and December 31, 2013.

As of March 31, 2014 (Unaudited)

	<u>Assets</u> ThUS\$	<u>Liabilities</u> ThUS\$
Current	1,802	624
Non-current	<u>293</u>	<u>109</u>
Total	<u><u>2,095</u></u>	<u><u>733</u></u>

As of December 31, 2013

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

	As of March 31,	
	<u>2014</u> ThUS\$	<u>2013</u> ThUS\$
	<u>Unaudited</u>	
Total operating revenues	218	201
Total expenses	(327)	53
Sum of net income	<u><u>(109)</u></u>	<u><u>254</u></u>

As an investment in associates, the Company has shown its holdings in the following companies: Austral Sociedad Concesionaria S.A. and Lufthansa Lan Technical Training S.A. The Company made no investments in associates during the first quarter of 2014

Company	Country of incorporation	Functional currency	Percentage of ownership		Cost of investment	
			As of March 31, 2014	As of December 31, 2013	As of March 31, 2014	As of December 31, 2013
			% Unaudited	%	ThUS\$ Unaudited	ThUS\$
Austral Sociedad Concesionaria S.A.	Chile	CLP	20.00	20.00	661	661
Lufthansa Lan Technical Training S.A.	Chile	CLP	50.00	50.00	702	702

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

The movement of investments in associates between January 1, 2013 and March 31, 2014 is as follows:

	ThUS\$
Opening balance as of January 1, 2013	1,619
Participation in profits	127
Adjustment to participation in previous years profits	229
Total changes in investments in associated entities	356
Closing balance as of March 31, 2013 (Unaudited)	1,975
Opening balance as of April 1, 2013	1,975
Participation in profits	214
Other increases, investments in associated entities	1,383
Total changes in investments in associated entities	1,597
Closing balance as of December 31, 2013	3,572
Opening balance as of January 1, 2014	3,572
Participation in profits	(55)
Other increases, investments in associated entities	(2,357)
Total changes in investments in associated entities	(2,412)
Closing balance as of March 31, 2014 (Unaudited)	1,160

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

(b) Joint Venture

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

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

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

The movement investment between January 1, 2013 and March 31, 2014 is as follows:

	<u>Amount of shares</u>	<u>ThUS\$</u>
Opening balance as of January 1, 2013	6,572,000	2,138
Equity accounted earnings	-	(1,217)
Conversion difference affiliates	-	41
Closing balance at March 31, 2013 (Unaudited)	<u>6,572,000</u>	<u>962</u>
Opening balance as of April 1, 2013	6,572,000	962
Future advance capital increase	-	4,977
Equity accounted earnings	-	(2,616)
Conversion difference affiliates	-	(299)
Closing balance at December 31, 2013	<u>6,572,000</u>	<u>3,024</u>
Opening balance as of January 1, 2014	6,572,000	3,024
Equity accounted earnings	-	(856)
Conversion difference affiliates	-	68
Closing balance at March 31, 2014 (Unaudited)	<u>6,572,000</u>	<u>2,236</u>

The company Prismah Fidelidade S.A. as of March 31, 2014, has the following items:

	As of March 31, <u>2014</u> Unaudited	As of December 31, <u>2013</u>
Social capital ThUS\$	16,323	16,323
Number of ordinary shares	35,200,194	35,200,194
Ordinary shares owned by Multiplus S.A.	17,600,097	17,600,097
Participation %	50	50
	<u>ThUS\$</u>	<u>ThUS\$</u>
Equity accounted investments	2,236	3,024
Current assets	4,233	6,985
Non-current assets	1,530	1,481
Current liabilities	1,293	2,418
	For the periods ended March 31,	
	<u>2014</u> <u>ThUS\$</u>	<u>2013</u> <u>ThUS\$</u>
	Unaudited	
Result of the period	(1,712)	(2,434)
Equity accounted earnings	(856)	(1,217)
Revenues in the period	63	62
Expense in the period	(1,775)	(2,495)

NOTE 17 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

Classes of intangible assets (net)	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Computer software	142,496	143,124
Developing software	54,240	46,075
Airport slots	1,409,708	1,361,807
Loyalty program	469,873	453,907
Trademarks	91,420	88,314
Other assets	40	81
Total	<u>2,167,777</u>	<u>2,093,308</u>
Classes of intangible assets (gross)	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Computer software	292,180	278,721
Developing software	54,240	46,075
Airport slots	1,409,708	1,361,807
Loyalty program	469,873	453,907
Trademarks	91,420	88,314
Other assets	808	808
Total	<u>2,318,229</u>	<u>2,229,632</u>

The movement in Intangible assets other than goodwill between January 1, 2013 and March 31, 2014 is as follows:

	Computer software Net	Developing software	Airport slots (*)	Trademarks and loyalty program (*)	Other assets Net	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	144,244	54,635	1,561,130	621,584	806	2,382,399
Additions	497	12,179	-	-	-	12,676
Withdrawals	(120)	-	-	-	-	(120)
Transfer software	6,370	(6,359)	-	-	-	11
Difference by subsidiaries conversion	1,196	645	23,024	9,167	9	34,041
Amortization	(15,381)	-	-	-	(40)	(15,421)
Closing balance as of March 31, 2013 (Unaudited)	<u>136,806</u>	<u>61,100</u>	<u>1,584,154</u>	<u>630,751</u>	<u>775</u>	<u>2,413,586</u>
Opening balance as of April 1, 2013	136,806	61,100	1,584,154	630,751	775	2,413,586
Additions	14,206	35,020	-	-	-	49,226
Withdrawals	(347)	(1,975)	-	-	-	(2,322)
Transfer software	40,074	(42,531)	-	-	(492)	(2,949)
Subsidiaries conversion difference	(6,738)	(5,539)	(222,347)	(88,530)	(81)	(323,235)
Amortization	(40,877)	-	-	-	(121)	(40,998)
Closing balance as of December 31, 2013	<u>143,124</u>	<u>46,075</u>	<u>1,361,807</u>	<u>542,221</u>	<u>81</u>	<u>2,093,308</u>
Opening balance as of January 1, 2014	143,124	46,075	1,361,807	542,221	81	2,093,308
Additions	4,508	15,859	-	-	-	20,367
Withdrawals	(1,071)	(1,227)	-	-	-	(2,298)
Transfer software	7,868	(7,529)	-	-	-	339
Subsidiaries conversion difference	2,154	1,062	47,901	19,072	-	70,189
Amortization	(14,087)	-	-	-	(41)	(14,128)
Closing balance as of March 31, 2014 (Unaudited)	<u>142,496</u>	<u>54,240</u>	<u>1,409,708</u>	<u>561,293</u>	<u>40</u>	<u>2,167,777</u>

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

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

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

Intangible assets with undefined useful lives are tested annually for impairment as an integral part of each CGU, in accordance with the premises that are applicable, included as follows:

Airport slots – Air transport CGU

Loyalty program – Coalition and loyalty program Multiplus CGU

Brand – Air transport CGU

(See Note 18)

The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs as of March 31, 2014 amounts to ThUS\$ 149,684 (ThUS\$ 135,597 as of December 31, 2013). The accumulated amortization of other identifiable intangible assets as of March 31, 2014 amounts to ThUS\$ 768 (ThUS\$ 727 as of December 31, 2013).

(*) See Note 2.5

NOTE 18 – GOODWILL

The goodwill represents the excess of cost of acquisition over the fair value of the participation of the Company in the identifiable net assets of the subsidiaries at the acquisition date. Goodwill at March 31, 2014 amounted to ThUS\$ 3,850,693 (ThUS\$ 3,727,605 as revised at December 31, 2013).

The Company has two cash-generating units (CGUs), confirming the existence of two cash-generating units: “Air transportation” and, “Coalition and loyalty program Multiplus”; consistent with this, at December 31, 2013 was performed impairment tests based on value in use and no impairment was identified. These tests are done at least once per year.

At December 31, 2013, the recoverable amounts of cash generating units have been determined from estimated cash flows by the Administration. The main assumptions used are disclosed as follows:

Air transportation CGU

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

Coalition and loyalty program Multiplus CGU (*)

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

(*) For the Coalition and loyalty program Multiplus CGU the flows, as in the growth rate and discount, are denominated in real.

Given the expectation of growth and the long investment cycles characteristic of the industry, are used projections of ten years.

The result of the impairment test, which includes a sensitivity analysis of the main variables, showed that the estimated recoverable amount is higher than carrying value of the book value of net assets allocated to the cash generating unit, and therefore impairment was not detected.

The sensitivity analysis included individual impact of variations in the key assumptions with impact on the determination of the recoverable amounts, namely:

Air transportation CGU

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

Coalition and loyalty program Multiplus CGU

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

In none of the previous cases was presented an impairment.

The movement of Goodwill from January 1, 2013 to March 31, 2014, is as follows:

	Air transportation	Coalition and loyalty program Multiplus	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	3,361,906	851,254	4,213,160
Increase (decrease) due to			
exchange rate differences	43,165	12,555	55,720
Closing balance as of March 31, 2013 (Unaudited)	<u>3,405,071</u>	<u>863,809</u>	<u>4,268,880</u>
Opening balance as of April 1, 2013	3,405,071	863,809	4,268,880
Others	44,860	-	44,860
Increase (decrease) due to			
exchange rate differences	(464,894)	(121,241)	(586,135)
Closing balance as of December 31, 2013	<u>2,985,037</u>	<u>742,568</u>	<u>3,727,605</u>
Opening balance as of January 1, 2014	2,985,037	742,568	3,727,605
Increase (decrease) due to			
exchange rate differences	96,969	26,119	123,088
Closing balance as of March 31, 2014 (Unaudited)	<u>3,082,006</u>	<u>768,687</u>	<u>3,850,693</u>

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

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

	Gross Book Value		Acumulated depreciation		Net Book Value	
	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited
Construction in progress	930,753	858,650	-	-	930,753	858,650
Land	60,782	59,352	-	-	60,782	59,352
Buildings	255,190	247,263	(80,103)	(75,478)	175,087	171,785
Plant and equipment	7,560,567	8,461,456	(1,655,723)	(1,708,668)	5,904,844	6,752,788
Own aircraft	6,306,710	7,409,394	(1,278,253)	(1,347,671)	5,028,457	6,061,723
Other	1,253,857	1,052,062	(377,470)	(360,997)	876,387	691,065
Machinery	78,627	73,561	(44,236)	(41,509)	34,391	32,052
Information technology equipment	188,266	182,108	(141,428)	(135,889)	46,838	46,219
Fixed installations and accessories	97,414	97,212	(48,062)	(46,620)	49,352	50,592
Motor vehicles	79,189	75,150	(53,041)	(51,128)	26,148	24,022
Leasehold improvements	164,087	88,641	(91,795)	(71,872)	72,292	16,769
Other property, plants and equipment	5,255,556	4,791,236	(2,043,671)	(1,820,679)	3,211,885	2,970,557
Financial leasing aircraft	5,076,526	4,618,127	(1,999,173)	(1,777,980)	3,077,353	2,840,147
Other	179,030	173,109	(44,498)	(42,699)	134,532	130,410
Total	<u>14,670,431</u>	<u>14,934,629</u>	<u>(4,158,059)</u>	<u>(3,951,843)</u>	<u>10,512,372</u>	<u>10,982,786</u>

The movement in the different categories of Property, plant and equipment from January 1, 2013 to March 31, 2014 is shown below:

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Other property, plant and equipment net	Property, Plant and equipment net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	1,153,003	65,307	175,070	6,360,115	40,463	42,343	4,722	21,728	3,944,325	11,807,076
Additions	6,905	-	1,982	377,371	7,671	2,126	44	-	6,744	402,843
Disposals	-	-	-	(4,056)	-	-	(60)	-	(2)	(4,118)
Retirements	(92)	-	(111)	(7,004)	(55)	(2)	(1)	-	(1,820)	(9,085)
Depreciation expenses	-	-	(884)	(117,390)	(3,764)	(2,098)	(73)	(3,241)	(103,495)	(230,945)
Conversion difference subsidiaries	6,951	687	(155)	692	114	(215)	43	-	53,314	61,431
Other increases (decreases)	(35,500)	-	7,218	(321,547)	255	2,978	4	-	329,766	(16,826)
Changes, total	(21,736)	687	8,050	(71,934)	4,221	2,789	(43)	(3,241)	284,507	203,300
Closing balance as of March 31, 2013 (Unaudited)	1,131,267	65,994	183,120	6,288,181	44,684	45,132	4,679	18,487	4,228,832	12,010,376

(b) As of December 31, 2013

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Other property, plant and equipment net	Property, plant and equipment net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of April 1, 2013	<u>1,131,267</u>	<u>65,994</u>	<u>183,120</u>	<u>6,288,181</u>	<u>44,684</u>	<u>45,132</u>	<u>4,679</u>	<u>18,487</u>	<u>4,228,832</u>	<u>12,010,376</u>
Additions	10,826	-	9,816	1,178,295	14,475	5,537	259	-	62,960	1,282,168
Disposals	-	-	-	(137,273)	(31)	-	(101)	-	(644,635)	(782,040)
Retirements	(523)	-	(319)	(58,146)	(214)	(13)	(9)	(219)	(17,896)	(77,339)
Depreciation expenses	-	-	(10,884)	(329,113)	(10,368)	(6,795)	(238)	(9,040)	(233,091)	(599,529)
Conversion difference subsidiaries	(60,403)	(6,642)	(12,259)	(71,703)	(3,489)	(1,312)	(330)	(1)	(374,053)	(530,192)
Other increases (decreases)	<u>(222,517)</u>	<u>-</u>	<u>2,311</u>	<u>(63,123)</u>	<u>1,162</u>	<u>8,043</u>	<u>(2,516)</u>	<u>7,542</u>	<u>(51,560)</u>	<u>(320,658)</u>
Changes, total	<u>(272,617)</u>	<u>(6,642)</u>	<u>(11,335)</u>	<u>518,937</u>	<u>1,535</u>	<u>5,460</u>	<u>(2,935)</u>	<u>(1,718)</u>	<u>(1,258,275)</u>	<u>(1,027,590)</u>
Closing balance as of December 31, 2013	<u><u>858,650</u></u>	<u><u>59,352</u></u>	<u><u>171,785</u></u>	<u><u>6,807,118</u></u>	<u><u>46,219</u></u>	<u><u>50,592</u></u>	<u><u>1,744</u></u>	<u><u>16,769</u></u>	<u><u>2,970,557</u></u>	<u><u>10,982,786</u></u>

(c) As of March 31, 2014

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Other property, plant and equipment net	Property, plant and equipment net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2014	858,650	59,352	171,785	6,807,118	46,219	50,592	1,744	16,769	2,970,557	10,982,786
Additions	4,690	-	2,041	107,130	5,097	742	645	-	36,597	156,942
Disposals	-	-	-	(556,217)	(1)	-	-	-	-	(556,218)
Retirements	(21)	-	(1)	(8,899)	(42)	(120)	(13)	-	(8,518)	(17,614)
Depreciation expenses	-	-	(2,946)	(99,509)	(3,793)	(1,938)	(80)	(3,408)	(85,047)	(196,721)
Conversion difference subsidiaries	9,937	1,430	3,029	13,484	357	(619)	(23)	-	60,864	88,459
Other increases (decreases)	57,497	-	1,179	(300,006)	(999)	695	9	58,931	237,432	54,738
Changes, total	72,103	1,430	3,302	(844,017)	619	(1,240)	538	55,523	241,328	(470,414)
Closing balance as of March 31, 2014 (Unaudited)	930,753	60,782	175,087	5,963,101	46,838	49,352	2,282	72,292	3,211,885	10,512,372

(d) Composition of the fleet

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

Aircraft	Model	As of March 31, 2014	As of December 31, 2013
		Unaudited	
Boeing 767	300	3	3
Boeing 767	300ER	34	34
Boeing 767	300F	8	8
Boeing 777	300ER	4	8
Boeing 777	Freighter	2	2
Boeing 787	800	3	3
Airbus A319	100	39	39
Airbus A320	200	95	95
Airbus A321	200	9	9
Airbus A330	200	8	8
Airbus A340	500	2	2
Total		207	211

Operating leases:

Aircraft	Model	As of March 31, 2014	As of December 31, 2013
		Unaudited	
Boeing 767	300ER	6	6
Boeing 767	300F	3	4
Boeing 777	300ER	6	2
Boeing 777	Freighter	2	2
Boeing 787	800	2	2
Airbus A319	100	15	15
Airbus A320	200	67	65
Airbus A321	200	3	1
Airbus A330	200	12	12
Airbus A340	300	3	4
Boeing 737	700	3	5
Bombardier	Dhc8-200	7	7
Bombardier	Dhc8-400	2	3
Total		131	128
Total fleet		338	339

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

	Method	Useful life	
		<u>minimum</u>	<u>maximum</u>
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	20
Information technology equipment	Straight line without residual value	5	10
Fixed installations and accessories	Straight line without residual value	10	10
Motor vehicle	Straight line without residual value	10	10
Leasehold improvements	Straight line without residual value	5	5
Other property, plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	3	20

(*) Except for certain technical components, which are depreciated on the basis of cycles and flight hours.

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.

Exist 5 aircraft under operating lease contracts, which according to the stated policy, are classified as finance leases because the present value of the payments represents most of the economic value of the property. The useful life assigned is 6 years, according to the duration of the contracts.

(**) Aircraft with remarketing clause are those that are required to sell at the end of the contract.

The depreciation charged to income in the period, which is included in the consolidated statement of income, amounts to ThUS\$ 196,721 (ThUS\$ 230,945 at March 31, 2013). Depreciation charges for the year are recognized in Cost of sales and administrative expenses in the consolidated statement of income.

(f) Additional information regarding Property, plant and equipment:

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

In the period ended March 31, 2014, were added direct guarantees one Airbus A319-100 aircraft, four Airbus A320-200 and five Airbus A321-200 aircraft. Moreover, the Company sold its interest in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC and Tricahue Leasing LLC. Product of the above direct guarantees associated with seven Boeing 767-300 aircraft.

Additionally, as a result of sale, direct guarantees associated with four Boeing 777-300 aircraft were removed.

Description of Property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of March 31, 2014		As of December 31, 2013	
			Existing Debt	Book Value	Existing Debt	Book Value
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
			Unaudited			
Wilmington Trust Company	Aircraft and engines	Boeing 767	1,073,893	1,342,261	1,437,810	1,827,349
		Boeing 777 / 787	240,904	276,876	777,796	880,470
Banco Santander S.A.	Aircraft and engines	Airbus A319	72,120	104,177	74,042	105,353
		Airbus A320	629,340	821,058	643,945	829,185
		Airbus A321	42,245	48,599	43,071	49,208
BNP Paribas	Aircraft and engines	Airbus A319	204,610	280,871	209,993	281,846
		Airbus A320	194,325	254,220	199,114	257,857
Credit Agricole	Aircraft and engines	Airbus A319	46,570	115,555	32,251	99,241
		Airbus A320	149,787	193,940	96,774	153,531
		Airbus A340	67,382	104,322	-	-
JP Morgan	Aircraft and engines	Boeing 777	253,856	297,392	259,272	292,486
Wells Fargo	Aircraft and engines	Airbus A320	325,430	381,991	331,854	384,273
Bank of Utah	Aircraft and engines	Airbus A320	273,123	344,322	277,622	347,765
DVB Bank SE	Aircraft and engines	Boeing 767	-	-	95,292	151,824
Natixis	Aircraft and engines	Airbus A320	16,918	17,911	-	-
		Airbus A321	39,861	58,088	-	-
Total direct guarantee			<u>3,630,364</u>	<u>4,641,583</u>	<u>4,478,836</u>	<u>5,660,388</u>

The amounts of existing debt are presented at nominal value. Book value corresponds to the carrying value of the goods provided as guarantees.

Additionally, there are indirect guarantees related to assets recorded in Property, plant and equipment whose total debt at March 31, 2014 amounted to ThUS\$ 2,215,557 (ThUS\$ 2,167,470 at December 31, 2013). The book value of assets with indirect guarantees as of March 31, 2014 amounts to ThUS\$ 3,002,712 (ThUS\$ 2,767,593 as of December 31, 2013).

(ii) Commitments and others

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

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Gross book value of fully depreciated property, plant and equipment still in use	169,148	160,116
Commitments for the acquisition of aircraft (*)	24,000,000	23,900,000

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

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

With regards to the above, as of March 31, 2014, and as a result of different aircraft purchase contracts signed with Airbus S.A.S., there remain 61 Airbus aircraft of the A320 family to be delivered between 2014 and 2018. The approximate amount is ThUS\$ 5,600,000, according to the manufacturer's price list.

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

As of March 31, 2014, and as a result of different aircraft purchase contracts signed with The Boeing Company, remain to receive a total of 21 787 Dreamliner aircraft, with delivery dates between 2014 and 2018. The approximate amount, according to the manufacturer's price list, is ThUS\$ 4,200,000. Additionally, the Company has valid purchase options for 15 787 Dreamliner aircraft.

The acquisition of these aircraft is part of the strategic plan for the long-term fleet.

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

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

With the above, at March 31, 2014, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., remain to receive 55 aircraft Airbus A320 family, with deliveries between 2014 and 2018, and 27 Airbus aircraft A350 family with delivery dates starting from 2015. Additionally, the Company has valid purchase options for 5 Airbus A350 aircraft.

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

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

The approximate amount of individual purchase contracts incorporated for the effect of the business combination with TAM S.A. and Subsidiaries is ThUS\$ 14,200,000, according to the manufacturers price list.

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

		For the periods ended	
		March 31,	
		2014	2013
		Unaudited	
Average rate of capitalization of			
capitalized interest costs	%	3.22	3.06
Costs of capitalized interest	ThUS\$	7,114	7,465

(iv) Financial leases

The detail of the main financial leases is as follows:

<u>Lessor</u>	<u>Aircraft</u>	<u>Model</u>	As of March 31, 2014 Unaudited	As of December 31, 2013
Agonandra Statutory Trust	Airbus A319	100	4	4
Agonandra Statutory Trust	Airbus A320	200	2	2
Air Canada	Airbus A340	500	2	2
AWMS I (AWAS)	Boeing 767	300	3	3
Becacina Leasing LLC	Boeing 767	300ER	1	-
Caiquen Leasing LLC	Boeing 767	300F	1	1
Cernicalo Leasing LLC	Boeing 767	300F	2	2
Chirihue Leasing Trust	Boeing 767	300F	2	2
Cisne Leasing Limited	Boeing 767	300ER	2	-
Codorniz Leasing Limited	Airbus A319	100	2	2
Conure Leasing Limited	Airbus A320	200	2	2
Flamenco Leasing LLC	Boeing 767	300ER	1	-
FLYAFI 1 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 2 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 3 S.R.L.	Boeing 777	300ER	1	1
Forderum Holding B.V. (GECAS)	Airbus A320	200	2	2
Garza Leasing LLC	Boeing 767	300ER	1	1
General Electric Capital Corporation	Airbus A330	200	3	3
Intraelo BETA Corporation (KFW)	Airbus A320	200	1	1
Juliana Leasing Limited	Airbus A320	200	2	2
Linnet Leasing Limited	Airbus A320	200	4	4
Mirlo Leasing LLC	Boeing 767	300ER	1	1
NBB Rio de Janeiro Lease CO and Brasilia Lease LLC (BBAM)	Airbus A320	200	1	1
NBB São Paulo Lease CO. Limited (BBAM)	Airbus A321	200	1	1
Osprey Leasing Limited	Airbus A319	100	8	8
Petrel Leasing LLC	Boeing 767	300ER	1	1
Pochard Leasing LLC	Boeing 767	300ER	2	2
Quetro Leasing LLC	Boeing 767	300ER	3	3
SG Infrastructure Italia S.R.L.	Boeing 777	300ER	1	1
SL Alcyone LTD (Showa)	Airbus A320	200	1	1
TMF Interlease Aviation B.V.	Airbus A320	200	12	12
TMF Interlease Aviation B.V.	Airbus A330	200	1	1
TMF Interlease Aviation II B.V.	Airbus A319	100	5	5
TMF Interlease Aviation II B.V.	Airbus A320	200	2	2
TMF Interlease Aviation III B.V.	Airbus A319	100	2	3
TMF Interlease Aviation III B.V.	Airbus A320	200	8	12
TMF Interlease Aviation III B.V.	Airbus A321	200	2	7
Tricahue Leasing LLC	Airbus A330	200	3	-
Wacapou Leasing S.A	Airbus A320	200	1	1
Wells Fargo Bank North National Association (ILFC)	Airbus A330	200	1	1
Total			<u>96</u>	<u>99</u>

Financial leasing contracts where the Company acts as the lessee of aircrafts establish duration between 12 and 18 year terms and semi-annual, quarterly and monthly payments of obligations.

Additionally, the lessee will have the obligation to contract and maintain active the insurance coverage for the aircraft, perform maintenance on the aircraft and update the airworthiness certificates at their own cost.

Fixed assets acquired under financial leases are classified as Other property, plant and equipment. As of March 31, 2014 the Company had ninety six aircraft (ninety nine aircraft as of December 31, 2013).

During the first quarter of 2014, due to the sale of its participation in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC and Tricahue Leasing LLC, the Company increased its number of aircraft on lease by seven Boeing 767-300. Therefore, these aircraft were reclassified from the Plant and equipment category to the category Other property plant and equipment. For other hand, the Company decreases its number of aircraft on lease by one Airbus A319-100 aircraft, four Airbus A320-200 and five Airbus A321-200 aircraft as a result of modifications in its financial contracts. Therefore, these aircraft were reclassified from the Other property plant and equipment category to the category Plant and equipment.

Additionally, the contracts system applied to four Boeing 777 aircraft was changed from financial leasing to operative leasing. As a result, the mentioned aircraft are no longer included under Property, plant, and equipment.

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

The book value of assets under financial leases as of March 31, 2014 amounts to ThUS\$ 3,072,901 (ThUS\$ 2,835,840 as of December 31, 2013).

The minimum payments under financial leases are as follows:

As of March 31, 2014 (Unaudited)

	Gross Value	Interest	Present Value
	ThUS\$	ThUS\$	ThUS\$
No later than one year	477,218	(60,745)	416,473
Between one and five years	1,459,965	(144,606)	1,315,359
Over five years	<u>642,694</u>	<u>(21,715)</u>	<u>620,979</u>
Total	<u><u>2,579,877</u></u>	<u><u>(227,066)</u></u>	<u><u>2,352,811</u></u>

As of December 31, 2013

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

NOTE 20 - TAXES AND DEFERRED TAXES

Deferred tax assets and liabilities are offset if there is a legal right to offset assets and liabilities for income taxes relating to the same entity and tax authority.

The balances of deferred taxes are as follows:

Concept	Assets		Liabilities	
	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited
Depreciation	(18,057)	(17,152)	569,666	557,845
Leased assets	(179,168)	(147,074)	20,330	46,688
Amortization	(9,291)	(10,778)	124,031	113,579
Provisions	298,342	317,883	(201,269)	(207,358)
Revaluation of financial instruments	582	562	(14,286)	(15,508)
Tax losses	300,046	267,189	(341,711)	(284,339)
Revaluation property, plant and equipment	-	-	(19,144)	(18,544)
Intangibles	-	-	614,194	593,325
Others	16,971	(7,668)	8,372	(18,460)
Total	<u>409,425</u>	<u>402,962</u>	<u>760,183</u>	<u>767,228</u>

The balance of deferred tax assets and liabilities are composed principally of temporary differences to reverse in the long term.

Movements of Deferred tax assets and liabilities from January 1, 2013 to March 31, 2014 are as follows:

(a) From January 1 to March 31, 2013 (Unaudited)

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Others	Ending balance Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$		ThUS\$
Depreciation	(454,845)	(163,463)	-	(512)	-	(618,820)
Leased assets	(268,619)	168,235	-	387	-	(99,997)
Amortization	(76,763)	(1,605)	-	434	-	(77,934)
Provisions	555,423	(15,923)	-	(11,946)	-	527,554
Revaluation of financial instruments	36,919	(2,383)	(6,957)	(299)	-	27,280
Tax losses	420,578	51,722	-	(3,143)	-	469,157
Revaluation property, plant and equipment	22,892	2,058	-	(1,386)	-	23,564
Intangibles	(680,167)	(23,116)	-	15,762	-	(687,521)
Others	28,310	(32,206)	-	1,288	(3,783)	(6,391)
Total	(416,272)	(16,681)	(6,957)	585	(3,783)	(443,108)

(b) From April 1 to December 31, 2013

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Others	Ending balance Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$		ThUS\$
Depreciation	(618,820)	38,879	-	4,944	-	(574,997)
Leased assets	(99,997)	(97,428)	-	3,663	-	(193,762)
Amortization	(77,934)	(48,380)	-	1,957	-	(124,357)
Provisions	527,554	51,559	-	(53,872)	-	525,241
Revaluation of financial instruments	27,280	2,529	(12,388)	(1,351)	-	16,070
Tax losses	469,157	96,544	-	(14,173)	-	551,528
Revaluation property, plant and equipment	23,564	1,232	-	(6,252)	-	18,544
Intangibles	(687,521)	23,115	-	71,081	-	(593,325)
Others	(6,391)	41,750	-	(29,359)	4,792	10,792
Total	(443,108)	109,800	(12,388)	(23,362)	4,792	(364,266)

(c) From January 1 to March 31, 2014 (Unaudited)

	Beginning balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate		Ending balance
	Asset (liability)	income	income	variation	Others	Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(574,997)	(11,661)	-	(1,065)	-	(587,723)
Leased assets	(193,762)	(4,763)	-	(973)	-	(199,498)
Amortization	(124,357)	(8,391)	-	(574)	-	(133,322)
Provisions	525,241	(41,447)	-	15,817	-	499,611
Revaluation of financial instruments	16,070	(3,508)	1,909	397	-	14,868
Tax losses	551,528	86,068	-	4,161	-	641,757
Revaluation property, plant and equipment	18,544	(1,236)	-	1,836	-	19,144
Intangibles	(593,325)	-	-	(20,869)	-	(614,194)
Others	10,792	(8,309)	-	6,976	(860)	8,599
Total	<u>(364,266)</u>	<u>6,753</u>	<u>1,909</u>	<u>5,706</u>	<u>(860)</u>	<u>(350,758)</u>

Deferred tax assets not recognized:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Tax losses	<u>2,451</u>	<u>6,538</u>
Total Deferred tax assets not recognized	<u>2,451</u>	<u>6,538</u>

Deferred tax assets on tax loss carry-forwards, are recognized to the extent that it is likely to provide relevant tax benefit through future taxable profits. The Company has not recognized deferred tax assets of ThUS\$ 2,451 (ThUS\$ 6,538 at December 31, 2013) compared to a loss of ThUS\$ 8,242 (ThUS\$ 28,855 at December 31, 2013) to offset against future years tax benefits.

Expense (income) for deferred and current income taxes for the periods ended at March 31, 2014 and March 31, 2013, respectively, are as follows:

	For the periods ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	<u>Unaudited</u>	
Expense for current income tax		
Current tax expense	19,212	16,099
Adjustment to previous period's current tax	-	72
Other current tax expense	-	21
Total current tax expense, net	<u>19,212</u>	<u>16,192</u>
Expense for deferred income taxes		
Deferred expense for taxes related to the creation and reversal of temporary differences	(8,021)	13,051
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	<u>1,268</u>	<u>3,630</u>
Total deferred tax expense, net	<u>(6,753)</u>	<u>16,681</u>
Income tax expense	<u>12,459</u>	<u>32,873</u>

Composition of income tax expense (income):

	For the periods ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	<u>Unaudited</u>	
Current tax expense, net, foreign	18,665	12,563
Current tax expense, net, Chile	547	3,629
Total current tax expense, net	<u>19,212</u>	<u>16,192</u>
Deferred tax expense, net, foreign	37,282	10,485
Deferred tax expense, net, Chile	<u>(44,035)</u>	<u>6,196</u>
Deferred tax expense, net, total	<u>(6,753)</u>	<u>16,681</u>
Income tax expense	<u>12,459</u>	<u>32,873</u>

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

	For the periods ended March 31,	
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Tax expense using the legal rate	(5,773)	15,125
Tax effect of rates in other jurisdictions	(1,737)	8,199
Tax effect of non-taxable operating revenues	(28,649)	(9,860)
Tax effect of disallowable expenses	48,449	19,219
Other increases (decreases) in legal tax charge	169	190
Total adjustments to tax expense using the legal rate	18,232	17,748
Tax expense using the effective rate	12,459	32,873

Reconciliation of legal tax rate to effective tax rate:

	For the periods ended March 31,	
	2014	2013
	%	%
	Unaudited	
Legal tax rate	20.00	20.00
Effect of tax rates in other jurisdictions	6.02	10.84
Effect of tax rate on non-taxable operating revenues	99.22	(13.04)
Effect of tax rate on disallowable expenses	(167.80)	25.42
Other increase (decrease) in legal tax rate	(0.59)	0.25
Total adjustment to the legal tax rate	(63.15)	23.47
Total effective tax rate	(43.15)	43.47

Deferred taxes related to items charged to net equity:

	For the periods ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
	<u>ThUS\$</u>	<u>ThUS\$</u>
	<u>Unaudited</u>	
Aggregate deferred taxation of components of other comprehensive income	1,909	(6,957)
Aggregate deferred taxation related to items charged to net equity	(860)	-
Total deferred taxes related to items charged to net equity	<u>1,049</u>	<u>(6,957)</u>

Deferred tax effects of the components of other comprehensive income:

	As of March 31, 2014 (Unaudited)		
	Amount before	Income tax	Amount
	taxes	expense	after
	<u>ThUS\$</u>	<u>(income)</u>	<u>taxes</u>
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Cash-flow hedges	27,328	(1,909)	25,419
Translation adjustment	(144,422)	-	(144,422)
		<u>(1,909)</u>	

	As of March 31, 2013 (Unaudited)		
	Amount before	Income tax	Amount
	taxes	expense	after
	<u>ThUS\$</u>	<u>(income)</u>	<u>taxes</u>
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Cash-flow hedges	(25,724)	6,957	(18,767)
Translation adjustment	(44,874)	-	(44,874)
		<u>6,957</u>	

NOTE 21 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Current		
(a) Interest bearing loans	1,448,727	1,969,281
(b) Derivatives not recognized as a hedge	3,936	4,040
(c) Hedge derivatives	<u>68,297</u>	<u>66,466</u>
Total current	<u>1,520,960</u>	<u>2,039,787</u>
Non-current		
(a) Interest bearing loans	7,238,547	7,803,588
(b) Derivatives not recognized as a hedge	558	1,491
(c) Hedge derivatives	<u>47,974</u>	<u>54,906</u>
Total non-current	<u>7,287,079</u>	<u>7,859,985</u>

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Loans to exporters	120,212	401,263
Bank loans	396,146	602,618
Guaranteed obligations	387,528	455,512
Other guaranteed obligations	<u>53,794</u>	<u>31,109</u>
Subtotal bank loans	957,680	1,490,502
Obligation with the public	30,801	21,761
Financial leases	423,601	423,537
Other loans	<u>36,645</u>	<u>33,481</u>
Total current	<u>1,448,727</u>	<u>1,969,281</u>
Non-current		
Bank loans	262,326	322,207
Guaranteed obligations	3,124,653	3,776,910
Other guaranteed obligations	<u>117,670</u>	<u>64,247</u>
Subtotal bank loans	3,504,649	4,163,364
Obligation with the public	1,116,875	1,116,671
Financial leases	1,933,192	1,902,715
Other loans	<u>683,831</u>	<u>620,838</u>
Total non-current	<u>7,238,547</u>	<u>7,803,588</u>
Total obligations with financial institutions	<u><u>8,687,274</u></u>	<u><u>9,772,869</u></u>

All interest-bearing liabilities are recorded using the effective interest rate method. Under IFRS, the effective interest rate for loans with a fixed interest rate does not vary throughout the loan, while in the case of loans with variable interest rates, the effective rate changes on each date of repricing of the loan.

Currency balances that make the interest bearing loans at March 31, 2014 and December 31, 2013, are as follows:

<u>Currency</u>	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Argentine peso	35,343	43,335
Brazilian real	84,967	76,674
Chilean peso	242,789	267,554
Euro	2,025	2,029
US Dollar	<u>8,322,150</u>	<u>9,383,277</u>
Total	<u><u>8,687,274</u></u>	<u><u>9,772,869</u></u>

Interest-bearing loans due in installments to March 31, 2014 (Unaudited)

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Loans to exporters																		
97.032.000-8	BBVA	Chile	US\$	30,000	-	-	-	-	30,000	30,097	-	-	-	-	30,097	At expiration	1.00%	1.00%
97.036.000-K	SANTANDER	Chile	US\$	50,000	-	-	-	-	50,000	50,007	-	-	-	-	50,007	At expiration	0.70%	0.70%
97.030.000-7	ESTADO	Chile	US\$	40,000	-	-	-	-	40,000	40,108	-	-	-	-	40,108	At expiration	0.85%	0.85%
Bank loans																		
97.036.000-K	SANTANDER	Chile	US\$	-	-	77,507	-	-	77,507	95	-	77,507	-	-	77,602	At expiration	3.17%	3.17%
97.023.000-9	CORPBANCA	Chile	UF	15,028	45,085	120,226	63,411	-	243,750	16,595	45,085	118,355	62,754	-	242,789	Quarterly	4.85%	4.85%
0-E	CITIBANK	Argentina	AR\$S	-	12,497	-	-	-	12,497	270	12,497	-	-	-	12,767	Monthly	20.75%	20.75%
0-E	BBVA	Argentina	AR\$S	-	22,494	-	-	-	22,494	82	22,494	-	-	-	22,576	Monthly	23.78%	23.78%
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US\$	16,786	45,936	113,865	52,117	36,732	265,436	17,149	45,936	113,865	52,117	36,732	265,799	Quarterly	1.46%	1.22%
0-E	PEFCO	U.S.A.	US\$	2,233	4,512	-	-	-	6,745	2,248	4,513	(11)	-	-	6,750	Quarterly	3.06%	2.73%
0-E	BNP PARIBAS	U.S.A.	US\$	9,015	27,500	77,825	84,755	210,283	409,378	10,432	27,500	76,325	84,174	210,102	408,533	Quarterly	2.45%	2.31%
0-E	WELLS FARGO	U.S.A.	US\$	29,950	90,652	247,720	256,672	768,225	1,393,219	34,665	90,652	213,977	239,836	746,576	1,325,706	Quarterly	2.26%	1.57%
0-E	CITIBANK	U.S.A.	US\$	6,909	20,926	57,489	60,047	127,983	273,354	7,239	20,926	53,557	58,236	126,412	266,370	Quarterly	1.39%	0.83%
97.036.000-K	SANTANDER	Chile	US\$	5,066	15,298	41,987	43,781	89,447	195,579	5,376	15,298	39,269	42,544	88,433	190,920	Quarterly	1.32%	0.78%
0-E	BTMU	U.S.A.	US\$	2,617	7,878	21,793	22,947	60,256	115,491	2,813	7,878	19,983	22,071	59,327	112,072	Quarterly	1.64%	1.04%
0-E	APPLE BANK	U.S.A.	US\$	1,276	3,868	10,704	11,290	30,100	57,238	1,436	3,868	9,808	10,854	29,630	55,596	Quarterly	1.63%	1.04%
0-E	US BANK	U.S.A.	US\$	13,919	42,234	116,208	121,613	396,178	690,152	17,122	42,234	94,249	110,465	380,893	644,963	Quarterly	3.99%	2.81%
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,439	13,522	38,456	30,556	81,715	168,688	5,126	13,522	38,457	30,556	81,715	169,376	Quarterly	3.26%	3.26%
0-E	NATIXIS	U.S.A.	US\$	2,218	6,857	19,732	22,063	5,910	56,780	2,228	6,857	19,732	22,063	5,910	56,790	Quarterly	0.69%	0.26%
-	SWAP Aircraft arrivals	-	US\$	661	1,849	3,913	2,313	570	9,306	661	1,849	3,913	2,313	570	9,306	Quarterly	-	-
Other guaranteed obligations																		
0-E	DVB BANK SE	U.S.A.	US\$	7,735	23,485	56,369	-	-	87,589	7,793	23,485	56,369	-	-	87,647	Quarterly	1.98%	1.98%
0-E	CREDIT AGRICOLE	U.S.A.	US\$	5,577	16,730	61,301	-	-	83,608	5,786	16,730	61,301	-	-	83,817	Quarterly	1.74%	1.74%
Financial leases																		
0-E	ING	U.S.A.	US\$	7,499	22,948	60,173	35,466	23,144	149,230	8,638	22,948	58,943	35,046	23,032	148,607	Quarterly	4.71%	4.22%
0-E	CREDIT AGRICOLE	France	US\$	4,857	10,558	65,073	5,403	-	85,891	4,991	10,558	65,073	5,403	-	86,025	Quarterly	1.21%	1.21%
0-E	CITIBANK	U.S.A.	US\$	4,271	13,053	37,748	42,326	30,966	128,364	5,340	13,053	36,291	41,761	30,819	127,264	Quarterly	6.40%	5.67%
0-E	PEFCO	U.S.A.	US\$	14,133	43,118	122,823	97,911	16,922	294,907	16,043	43,118	119,636	97,234	16,859	292,890	Quarterly	5.35%	4.75%
0-E	BNP PARIBAS	U.S.A.	US\$	6,528	20,104	57,769	51,111	5,380	140,892	6,965	20,104	56,281	50,819	5,368	139,537	Quarterly	4.64%	4.14%
0-E	WELLFARGO	U.S.A.	US\$	4,255	12,996	36,304	38,858	59,789	152,202	4,754	12,995	34,592	38,129	59,372	149,842	Quarterly	3.98%	3.53%
0-E	BANC OF AMERICA	U.S.A.	US\$	623	1,912	4,954	-	-	7,489	652	1,912	4,954	-	-	7,518	Monthly	1.41%	1.41%
Other loans																		
0-E	BOEING	U.S.A.	US\$	-	-	233,831	-	-	233,831	3,508	-	233,831	-	-	237,339	At expiration	1.75%	1.75%
0-E	CITIBANK (*)	U.S.A.	US\$	-	-	100,166	176,791	173,043	450,000	1,050	-	100,166	176,791	173,043	451,050	Quarterly	6.00%	6.00%
Total				285,595	526,012	1,783,936	1,219,431	2,116,643	5,931,617	309,269	526,012	1,706,423	1,183,166	2,074,793	5,799,663			

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

Interest-bearing loans due in installments to March 31, 2014 (Unaudited)
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans																		
0-E	BANCO DO BRASIL S.A.	Brazil	US\$	28,890	99,909	-	-	-	128,799	29,724	102,202	-	-	-	131,926	At Expiration	5.12%	4.59%
0-E	BANCO ITAU BBA	Brazil	US\$	35,918	11,302	-	-	-	47,220	37,404	11,598	-	-	-	49,002	At Expiration	7.02%	5.26%
0-E	BANCO SAFRA	Brazil	US\$	21,731	-	-	-	-	21,731	22,447	-	-	-	22,447	At Expiration	3.63%	3.10%	
0-E	BANCO SAFRA	Brazil	BRL	200	286	22	-	-	508	196	279	22	-	-	497	Monthly	7.42%	7.42%
0-E	BANCO BRADESCO	Brazil	US\$	47,641	-	-	-	-	47,641	49,293	-	-	-	-	49,293	At Expiration	3.99%	3.39%
0-E	BANCO BRADESCO	Brazil	BRL	44,189	-	-	-	-	44,189	45,441	-	-	-	-	45,441	At Expiration	12.54%	12.31%
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPI	Holland	US\$	104	320	928	1,046	1,714	4,112	124	320	928	1,046	1,714	4,132	Monthly	6.01%	6.01%
Obligation with the public																		
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	-	300,000	800,000	1,100,000	28,674	2,127	5,700	305,850	805,325	1,147,676	At Expiration	7.93%	6.80%
Financial leases																		
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	1,787	5,514	15,895	17,789	15,573	56,558	2,053	5,514	15,896	17,789	15,573	56,825	Monthly	1.25%	1.25%
0-E	AIR CANADA	U.S.A.	US\$	582	-	-	-	-	582	560	-	-	-	-	560	Monthly	-	-
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,061	9,439	27,166	19,164	13,501	72,331	3,192	9,439	27,166	19,164	13,501	72,462	Monthly	1.42%	1.42%
0-E	AWAS	U.S.A.	US\$	2,327	332	-	-	-	2,659	2,992	332	-	-	-	3,324	Monthly	-	-
0-E	BNP PARIBAS	U.S.A.	US\$	597	1,832	5,347	6,079	7,647	21,502	665	1,832	5,347	6,079	7,647	21,570	Quarterly	1.00%	1.00%
0-E	BNP PARIBAS	France	US\$	579	1,780	5,008	5,424	8,990	21,781	653	1,781	5,008	5,425	8,990	21,857	Quarterly	0.75%	0.86%
0-E	CITIBANK	England	US\$	6,026	17,551	44,657	47,483	100,890	216,607	6,420	17,551	44,656	47,483	100,890	217,000	Quarterly	0.89%	1.03%
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,297	12,960	52,569	11,308	12,553	93,687	4,544	12,961	52,569	11,308	12,553	93,935	Quarterly	1.41%	1.41%
0-E	CREDIT AGRICOLE-CIB	France	US\$	3,503	10,485	14,088	5,211	9,422	42,709	3,716	10,485	14,088	5,212	9,423	42,924	Quarterly/Semiannual	1.63%	1.70%
0-E	DVB BANK SE	Germany	US\$	3,125	9,375	9,375	-	-	21,875	3,187	9,375	9,375	-	-	21,937	Quarterly	2.50%	2.50%
0-E	DVB BANK SE	U.S.A.	US\$	197	590	1,131	164	-	2,082	201	590	1,131	164	-	2,086	Monthly	1.74%	1.74%
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,458	45,090	-	-	-	48,548	3,524	45,090	-	-	-	48,614	Monthly	1.25%	1.25%
0-E	HSBC	France	US\$	1,326	3,997	11,044	11,605	35,016	62,988	1,448	3,998	11,044	11,605	35,016	63,111	Quarterly	1.25%	1.45%
0-E	KFV IPEX-BANK	Germany	US\$	3,910	12,014	27,471	19,798	15,649	78,842	4,053	12,014	27,471	19,798	15,649	78,985	Monthly/Quarterly	1.74%	1.74%
0-E	NATIXIS	France	US\$	2,873	10,930	30,393	33,570	105,573	183,339	3,825	10,930	30,393	33,570	105,573	184,291	Quarterly/Semiannual	3.64%	3.64%
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	2,824	8,749	39,282	17,473	35,295	103,623	3,000	8,749	39,282	17,473	35,295	103,799	Monthly	1.71%	1.71%
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	443	1,276	3,033	2,563	13,970	21,285	486	1,276	3,033	2,563	13,970	21,328	Quarterly	2.00%	2.00%
0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,425	-	-	-	-	1,425	1,426	-	-	-	-	1,426	Monthly	1.25%	1.25%
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,922	34,186	88,713	97,640	89,862	322,323	12,804	34,186	88,713	97,640	89,862	323,205	Quarterly	3.73%	3.81%
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	521	1,571	4,320	4,510	5,957	16,879	545	1,571	4,320	4,510	5,957	16,903	Quarterly	0.57%	0.57%
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	254	514	-	-	-	768	236	480	-	-	-	716	Monthly	11.16%	11.16%
0-E	BANCO IBM S.A	Brazil	BRL	66	198	529	154	-	947	132	198	530	154	-	1,014	Monthly	10.58%	10.58%
0-E	HP FINANCIAL SERVICE	Brazil	BRL	264	772	2,351	-	-	3,387	262	772	2,353	-	-	3,387	Monthly	9.90%	9.90%
0-E	SOCIÉTÉ AIR FRANCE	France	EUR	70	1,241	-	-	-	1,311	847	1,179	-	-	-	2,026	Monthly	6.82%	6.82%
0-E	SOCIÉTÉ Generale	Brazil	BRL	114	342	913	456	-	1,825	114	342	913	456	-	1,825	Monthly	11.06%	11.06%
Other loans																		
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	28,832	3,255	-	-	-	32,087	28,832	3,255	-	-	-	32,087	Monthly	2.85%	2.85%
Total				263,056	305,810	384,235	601,437	1,271,612	2,826,150	303,020	310,426	389,938	607,289	1,276,938	2,887,611			
Total consolidated				548,651	831,822	2,168,171	1,820,868	3,388,255	8,757,767	612,289	836,438	2,096,361	1,790,455	3,351,731	8,687,274			

Interest-bearing loans due in installments to December 31, 2013

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %	
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value				
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$				
Loans to exporters																			
97.032.000-8	BBVA	Chile	US\$	-	30,000	-	-	-	-	30,000	-	30,022	-	-	-	30,022	At expiration	1.00%	1.00%
97.036.000-K	SANTANDER	Chile	US\$	230,000	-	-	-	-	-	230,000	230,819	-	-	-	-	230,819	At expiration	1.63%	1.63%
97.030.000-7	ESTADO	Chile	US\$	-	40,000	-	-	-	-	40,000	-	40,023	-	-	-	40,023	At expiration	1.06%	1.06%
76.100.458-1	BLADEX	Chile	US\$	100,000	-	-	-	-	-	100,000	100,399	-	-	-	-	100,399	At expiration	1.87%	1.87%
Bank loans																			
97.036.000-K	SANTANDER	Chile	US\$	-	-	115,051	-	-	-	115,051	153	-	115,051	-	-	115,204	At expiration	3.19%	3.19%
97.023.000-9	CORPBANCA	Chile	UF	15,590	46,772	124,724	81,374	-	-	268,460	17,475	46,771	122,780	80,528	-	267,554	Quarterly	4.85%	4.85%
0-E	CITIBANK	Argentina	AR\$S	-	15,335	-	-	-	-	15,335	35	15,335	-	-	-	15,370	Monthly	20.75%	20.75%
0-E	BBVA	Argentina	AR\$S	-	27,603	-	-	-	-	27,603	362	27,603	-	-	-	27,965	Monthly	23.78%	23.78%
Guaranteed obligations																			
0-E	ING	U.S.A.	US\$	2,865	8,808	25,172	27,867	26,831	91,543	3,635	8,807	24,144	27,437	26,682	90,705	Quarterly	5.69%	5.01%	
0-E	CREDIT AGRICOLE	France	US\$	12,920	34,713	82,646	10,033	-	140,312	13,209	34,713	82,646	10,033	-	140,601	Quarterly	1.99%	1.99%	
0-E	PEFCO	U.S.A.	US\$	2,219	6,745	-	-	-	8,964	2,239	6,746	(19)	-	-	8,966	Quarterly	3.06%	2.73%	
0-E	BNP PARIBAS	U.S.A.	US\$	8,875	27,256	76,985	83,871	221,267	418,254	10,356	27,256	75,420	83,243	221,031	417,306	Quarterly	2.45%	2.31%	
0-E	WELLS FARGO	U.S.A.	US\$	46,007	139,012	378,314	389,759	1,146,684	2,099,776	52,722	139,012	330,363	365,871	1,115,366	2,003,334	Quarterly	2.47%	1.76%	
0-E	CITIBANK	U.S.A.	US\$	9,607	29,315	81,681	87,189	164,399	372,191	10,850	29,315	76,583	84,847	162,473	364,068	Quarterly	2.64%	2.04%	
97.036.000-K	SANTANDER	Chile	US\$	5,021	15,237	41,767	43,552	95,022	200,599	5,347	15,238	38,966	42,256	93,880	195,687	Quarterly	1.32%	0.78%	
0-E	BTMU	U.S.A.	US\$	2,579	7,846	21,655	22,801	63,189	118,070	2,784	7,846	19,797	21,891	62,166	114,484	Quarterly	1.64%	1.04%	
0-E	APPLE BANK	U.S.A.	US\$	1,264	3,848	10,636	11,210	31,544	58,502	1,431	3,848	9,716	10,758	31,027	56,780	Quarterly	1.63%	1.04%	
0-E	US BANK	U.S.A.	US\$	13,840	41,995	115,549	120,924	411,684	703,992	17,106	41,995	93,083	109,417	395,163	656,764	Quarterly	2.81%	2.81%	
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,348	13,408	38,018	32,448	84,814	173,036	5,053	13,408	38,017	32,449	84,814	173,741	Quarterly	3.27%	3.27%	
-	SWAP Aircraft arrivals	-	US\$	681	1,915	4,104	2,521	765	9,986	681	1,915	4,104	2,521	765	9,986	Quarterly	-	-	
Other guaranteed obligations																			
0-E	DVB BANK SE	U.S.A.	US\$	7,703	23,342	64,247	-	-	95,292	7,766	23,343	64,247	-	-	95,356	Quarterly	1.99%	1.99%	
Financial leases																			
0-E	ING	U.S.A.	US\$	4,523	13,896	37,656	9,001	-	65,076	4,964	13,896	37,395	8,971	-	65,226	Quarterly	3.23%	3.03%	
0-E	CREDIT AGRICOLE	France	US\$	4,808	13,833	63,715	7,158	-	89,514	4,952	13,834	63,715	7,157	-	89,658	Quarterly	1.21%	1.21%	
0-E	CITIBANK	U.S.A.	US\$	1,430	4,414	12,707	14,254	7,759	40,564	1,651	4,413	12,254	14,089	7,731	40,138	Quarterly	6.38%	5.65%	
0-E	PEFCO	U.S.A.	US\$	13,867	42,702	121,395	108,403	22,407	308,774	15,884	42,702	118,027	107,595	22,324	306,532	Quarterly	5.35%	4.23%	
0-E	BNP PARIBAS	U.S.A.	US\$	6,443	19,839	56,989	56,934	7,129	147,334	6,908	19,839	55,403	56,567	7,109	145,826	Quarterly	4.65%	4.15%	
0-E	BANC OF AMERICA	U.S.A.	US\$	616	1,891	5,392	-	-	7,899	647	1,891	5,392	-	-	7,930	Monthly	1.43%	1.43%	
Other loans																			
0-E	BOEING	U.S.A.	US\$	-	-	170,838	-	-	170,838	-	1,650	170,838	-	-	172,488	At expiration	1.75%	1.75%	
0-E	CITIBANK (*)	U.S.A.	US\$	-	-	79,611	174,178	196,211	450,000	4,050	-	79,611	174,178	196,211	454,050	Quarterly	6.00%	6.00%	
Total				495,206	609,725	1,728,852	1,283,477	2,479,705	6,596,965	521,478	611,421	1,637,533	1,239,808	2,426,742	6,436,982				

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

Interest-bearing loans due in installments to December 31, 2013
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans																		
0-E	CITIBANK	Brazil	US\$	2,207	41,678	-	-	-	43,885	2,306	42,413	-	-	-	44,719	At Expiration	3.76%	3.20%
0-E	BANCO DO Brazil S.A.	Brazil	US\$	9,050	128,799	-	-	-	137,849	9,410	130,742	-	-	-	140,152	At Expiration	5.20%	4.66%
0-E	BANCO ITAU BBA	Brazil	US\$	26,611	47,231	-	-	-	73,830	27,804	48,424	-	-	-	76,228	At Expiration	6.31%	4.73%
0-E	BANCO SAFRA	Brazil	US\$	40,626	21,731	-	-	-	62,357	41,768	22,213	-	-	-	63,981	At Expiration	3.73%	2.94%
0-E	BANCO SAFRA	Brazil	BRL	193	443	48	-	-	684	187	431	51	-	-	669	Monthly	7.42%	7.42%
0-E	BANCO BRADESCO	Brazil	US\$	74,700	47,641	-	-	-	122,341	77,218	48,828	-	-	-	126,046	At Expiration	3.87%	3.29%
0-E	BANCO BRADESCO	Brazil	BRL	-	42,688	-	-	-	42,688	-	42,701	-	-	-	42,701	At Expiration	10.63%	10.15%
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	102	316	915	1,031	1,851	4,215	123	316	915	1,031	1,851	4,236	Monthly	6.01%	6.01%
Obligation with the public																		
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	-	300,000	800,000	1,100,000	19,760	2,001	5,343	305,554	805,774	1,138,432	At Expiration	8.60%	8.41%
Financial leases																		
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	1,762	5,438	15,673	17,540	17,908	58,321	2,036	5,437	15,673	17,541	17,908	58,595	Monthly	1.25%	1.25%
0-E	AIR CANADA	U.S.A.	US\$	1,325	1,645	-	-	-	2,970	1,325	1,645	-	-	-	2,970	Monthly	0.00%	0.00%
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,020	9,311	26,792	20,813	15,416	75,352	3,156	9,311	26,792	20,812	15,417	75,488	Monthly	1.42%	1.42%
0-E	AWAS	U.S.A.	US\$	2,992	2,659	-	-	-	5,651	3,656	2,659	-	-	-	6,315	Monthly	0.00%	0.00%
0-E	BNP PARIBAS	U.S.A.	US\$	580	1,810	5,262	5,982	8,448	22,082	651	1,810	5,262	5,982	8,448	22,153	Quarterly	1.00%	1.00%
0-E	BNP PARIBAS	France	US\$	578	1,758	4,959	5,371	9,693	22,359	652	1,758	4,959	5,371	9,693	22,433	Quarterly	0.86%	0.75%
0-E	CITIBANK	England	US\$	5,983	18,179	44,318	47,123	106,987	222,590	6,401	18,179	44,318	47,123	106,987	223,008	Quarterly	1.03%	0.90%
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,258	12,917	55,573	11,431	13,766	97,945	4,516	12,917	55,573	11,431	13,766	98,203	Quarterly	1.40%	1.40%
0-E	CREDIT AGRICOLE-CIB	France	US\$	7,911	25,433	58,866	50,469	52,717	195,396	8,334	25,433	58,866	50,469	52,717	195,819	Quarterly/Semiannual	0.75%	0.65%
0-E	DVB BANK SE	Germany	US\$	3,125	9,375	12,500	-	-	25,000	3,195	9,375	12,500	-	-	25,070	Quarterly	2.50%	2.50%
0-E	DVB BANK SE	U.S.A.	US\$	197	590	1,210	282	-	2,279	201	590	1,210	282	-	2,283	Monthly	1.75%	1.75%
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,430	48,548	-	-	-	51,978	3,501	48,548	-	-	-	52,049	Monthly	1.25%	1.25%
0-E	HSBC	France	US\$	1,307	3,983	10,976	11,533	36,497	64,296	1,436	3,983	10,976	11,533	36,497	64,425	Quarterly	1.45%	1.25%
0-E	KFW IPEX-BANK	Germany	US\$	3,877	11,869	28,660	20,499	17,813	82,718	4,027	11,869	28,660	20,500	17,813	82,869	Monthly/Quarterly	1.74%	1.74%
0-E	NATIXIS	France	US\$	6,009	16,490	49,293	55,352	118,984	246,128	7,586	16,490	49,293	55,352	118,984	247,705	Quarterly/Semiannual	2.81%	2.78%
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	2,780	8,610	40,227	17,171	37,615	106,403	2,964	8,611	40,227	17,171	37,615	106,588	Monthly	1.71%	1.71%
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	453	1,303	3,097	2,617	14,267	21,737	498	1,303	3,097	2,617	14,267	21,782	Quarterly	2.00%	2.00%
0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,769	1,425	-	-	-	3,194	1,773	1,425	-	-	-	3,198	Monthly	1.25%	1.25%
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,772	35,604	87,655	96,473	102,591	334,095	12,694	35,604	87,655	96,473	102,591	335,017	Quarterly	3.86%	3.78%
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	515	1,566	4,297	4,485	6,531	17,394	541	1,566	4,297	4,485	6,531	17,420	Quarterly	0.57%	0.57%
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	239	724	-	-	-	963	222	674	-	-	-	896	Monthly	10.38%	10.38%
0-E	BANCO IBM S.A	Brazil	BRL	134	192	511	213	-	1,050	153	192	511	213	-	1,069	Monthly	10.58%	10.58%
0-E	HP FINANCIAL SERVICE	Brazil	BRL	287	746	2,218	308	-	3,559	285	745	2,220	308	-	3,558	Monthly	9.90%	9.90%
0-E	SOCIÉTÉ AIR FRANCE	France	EUR	69	1,310	-	-	-	1,379	824	1,205	-	-	-	2,029	Monthly	6.82%	6.82%
Other loans																		
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	27,244	537	-	-	-	27,781	27,244	537	-	-	-	27,781	Monthly	2.38%	2.38%
Total				245,105	552,537	453,050	668,693	1,361,084	3,280,469	276,447	559,935	458,398	674,248	1,366,859	3,335,887			
Total consolidated				740,311	1,162,262	2,181,902	1,952,170	3,840,789	9,877,434	797,925	1,171,356	2,095,931	1,914,056	3,793,601	9,772,869			

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

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31 <u>2013</u> ThUS\$ Unaudited
Current		
a) Other interest bearing loans (see note 21 a)	36,645	33,481
b) Derivative not recognized as a hedge (see note 21 b)	3,936	4,040
c) Hedge derivatives (see note 21 c)	<u>68,297</u>	<u>66,466</u>
Total currents	<u>108,878</u>	<u>103,987</u>
Non-current		
a) Other interest bearing loans (see note 21 a)	683,831	620,838
b) Derivative not recognized as a hedge (see note 21 b)	558	1,491
c) Hedge derivatives (see note 21 c)	<u>47,974</u>	<u>54,906</u>
Total non-currents	<u>732,363</u>	<u>677,235</u>

(b) Derivatives not recognized as a hedge.

Derivatives not recognized as a hedge as of March 31, 2014 and December 31, 2013, respectively, is as follows:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited
Current		
Interest rate derivative not recognized as a hedge	<u>3,936</u>	<u>4,040</u>
Total current	<u>3,936</u>	<u>4,040</u>
Non-current		
Interest rate derivative not recognized as a hedge	<u>558</u>	<u>1,491</u>
Total non-current	<u>558</u>	<u>1,491</u>
Total other financial liabilities	<u>4,494</u>	<u>5,531</u>

(c) Hedge derivatives

Hedge derivatives as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Accrued interest from the last date of interest rate swap	5,436	5,775
Fair value of interest rate derivatives	28,212	32,070
Fair value of fuel derivatives	1,997	-
Fair value of foreign currency derivatives	32,652	28,621
Total current	<u>68,297</u>	<u>66,466</u>
Non-current		
Fair value of interest rate derivatives	47,974	54,906
Total non-current	<u>47,974</u>	<u>54,906</u>
Total hedging liabilities	<u><u>116,271</u></u>	<u><u>121,372</u></u>

The foreign currency derivatives exchanges are FX forward and cross currency swap.

Hedging operation

The fair values of assets/(liabilities), by type of derivative, of the contracts held as hedging instruments are presented below:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Cross currency swaps (CCS) (1)	(29,392)	(26,028)
Interest rate options (2)	5	6
Interest rate swaps (3)	(84,470)	(92,088)
Fuel collars (4)	(1,997)	1,878
Fuel swap (5)	2,742	13,990
Currency forward R\$/US\$ (6)	2,737	32,058
Currency forward CLP/US\$ (7)	-	(1,121)
Currency collars (8)	-	(1,652)

- (1) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate and the exchange rate dollar-UF of bank loans. These contracts are recorded as cash flow hedges and fair value.
- (2) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate for long-term loans incurred in the acquisition of aircraft. These contracts are recorded as cash flow hedges.
- (3) Covers the significant variations in cash flows associated with market risk implicit in the increases in the 3 months LIBOR interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.
- (4) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (5) Covers the significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (6) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate R\$/US\$. These contracts are recorded as cash flow hedges.
- (7) Covers the investments denominated in Chilean pesos to Dollar- Chilean peso exchange rate, in order to secure investment in Dollars. These contracts are recorded as cash flow hedges.
- (8) Covers the foreign exchange risk exposure of Multiplus income caused by fluctuations in the exchange rate R\$/US\$.

During the periods presented, the Company only maintains cash flow hedges and fair value (in the case of CCS). In the case of fuel hedges, the cash flows subject to said hedges will impact results in the next 6 months from the consolidated statement of financial position date, where as in the case of interest rate hedging, the hedges will impact results over the life of the related loans, which are valid for 12 years. The hedges on investments will impact results continuously throughout the life of the investment, while the cash flows occur at the maturity of the investment. In the case of currency hedges through a CCS, are generate two types of hedge accounting, a cash flow component by UF, and other fair value by USD floating rate component.

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

Since none of the coverage resulted in the recognition of a non-financial asset, no portion of the result of the derivatives recognized in equity was transferred to the initial value of such assets.

The amounts recognized in comprehensive income during the period and transferred from net equity to income are as follows:

	For the periods ended	
	March 31,	
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Debit (credit) recognized in comprehensive income during the period	(27,328)	25,724
Debit (credit) transferred from net equity to income during the period	(24,098)	(48,741)

NOTE 22 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
(a) Trade and other accounts payables	1,192,365	1,264,395
(b) Accrued liabilities at the reporting date	342,950	293,341
Total trade and other accounts payables	<u>1,535,315</u>	<u>1,557,736</u>

(a) Trade and other accounts payable as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Trade creditors	888,870	969,260
Leasing obligation	49,811	44,756
Other accounts payable (*)	253,684	250,379
Total	<u>1,192,365</u>	<u>1,264,395</u>

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

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

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Aircraft Fuel	232,866	302,419
Boarding Fee	194,165	217,389
Other personnel expenses	115,242	117,418
Airport charges and overflight	103,880	98,560
Suppliers' technical purchases	76,272	67,995
Land services	55,518	47,046
Professional services and advisory	55,074	63,082
Aircraft and engines leasing	49,811	44,756
Handling and ground handling	48,484	48,797
Leases, maintenance and IT services	39,178	46,163
Marketing	38,332	50,009
Services on board	27,624	29,940
Aviation insurance	17,644	10,665
Maintenance	14,823	15,793
Tax recovery program (*)	14,507	14,569
Crew	13,844	14,040
Achievement of goals	11,714	9,806
Communications	5,599	4,578
Distribution system	4,609	3,103
Airlines	1,761	5,054
U.S.A. Department of Justice (**)	-	18,290
Others	71,418	34,923
Total trade and other accounts payables	<u>1,192,365</u>	<u>1,264,395</u>

(*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance.

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

(b) The liabilities accrued at March 31, 2014 and December 31, 2013, are as follows:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Accrued personnel expenses	170,947	151,586
Aircraft and engine maintenance	99,991	3,741
Accounts payable to personnel (*)	39,108	110,147
Others accrued liabilities	32,904	27,867
Total accrued liabilities	<u>342,950</u>	<u>293,341</u>

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

NOTE 23 - OTHER PROVISIONS

The detail of Other provisions as of March 31, 2014 and December 31, 2013 is as follows:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Provision for contingencies (1)		
Tax contingencies	7,092	7,092
Civil contingencies	13,967	13,430
Labor contingencies	<u>7,584</u>	<u>7,334</u>
Total other provisions, current	<u>28,643</u>	<u>27,856</u>
Non-current		
Provision for contingencies (1)		
Tax contingencies	968,083	968,211
Civil contingencies	48,181	50,022
Labor contingencies	66,853	64,895
Other	27,711	27,770
Provision for European Commission investigation (2)	<u>11,321</u>	<u>11,349</u>
Total other provisions, non-current	<u>1,122,149</u>	<u>1,122,247</u>
Total other provisions (3)	<u><u>1,150,792</u></u>	<u><u>1,150,103</u></u>

(1) Provisions for contingencies:

The tax contingencies correspond to litigation and tax criteria related to the tax treatment applicable to direct and indirect taxes, which are found in both administrative and judicial stage.

The civil contingencies correspond to different demands of civil order filed against the company.

The labor contingencies correspond to different demands of labor order filed against the company.

The Provisions are recognized in the consolidated income statement in administrative expenses or tax expenses, as appropriate.

- (2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.
- (3) Total other provision at March 31, 2014, and at December 31, 2013, include the fair value correspond to those contingencies from the business combination with TAM S.A and subsidiaries, with a probability of loss under 50%, which are not provided for the normal application of IFRS enforcement and that only must be recognized in the context of a business combination in accordance with IFRS 3.

The movement of provisions between January 1, 2013 and March 31, 2014 is as follows:

	Legal claims	European Commission Investigation(*)	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	1,355,581	10,865	1,366,446
Increase in provisions	4,006	-	4,006
Provision used	(29,911)	-	(29,911)
Subsidiaries conversion difference	10,096	-	10,096
Reversal of provision	(5)	-	(5)
Exchange difference	63	(322)	(259)
Closing balance as of March 31, 2013 (Unaudited)	<u>1,339,830</u>	<u>10,543</u>	<u>1,350,373</u>
Opening balance as of April 1, 2013	1,339,830	10,543	1,350,373
Increase in provisions	61,101	-	61,101
Provision used	(27,281)	-	(27,281)
Subsidiaries conversion difference	(180,548)	-	(180,548)
Reversal of provision	(53,454)	-	(53,454)
Exchange difference	(894)	806	(88)
Closing balance as of December 31, 2013	<u>1,138,754</u>	<u>11,349</u>	<u>1,150,103</u>
Opening balance as of January 1, 2014	1,138,754	11,349	1,150,103
Increase in provisions	2,998	-	2,998
Provision used	(3,269)	-	(3,269)
Subsidiaries conversion difference	39,354	-	39,354
Reversal of provision	(38,190)	-	(38,190)
Exchange difference	(176)	(28)	(204)
Closing balance as of March 31, 2014 (Unaudited)	<u>1,139,471</u>	<u>11,321</u>	<u>1,150,792</u>

Accumulated balance includes the judicial deposit in guarantee, related to the Fundo Aeroaviário (FA), in the amount of ThUS\$ 105, was done in order to suspend the enforceability of the tax credit. The company is discussing over the Tribunal the constitutionality of the requirement made by FA in a legal suit. Initially it was covered by the effects of a provisional remedy, meaning that, the company was not obligated to collect the tax while there was not a judicial decision in this regard. However, the decision taken by a judge in the first instance was publicized in an unfavorable way, revoking the provisional remedy relief. As the legal suit is still in progress (TAM appealed from this first decision), the company needed to do the deposit judicial in guarantee to suspend the enforceability of such tax credit; deposit classified in this category deducting the existing provision. Finally, if the final decision is favorable to the company, the deposit already made is going to come back to TAM. On the other hand, if the tribunal confirms the first decision, such deposit will be converted in a definitive payment in favor of the Brazilian Government.

(*) European Commission Provision:

- (a) This provision was established because of the investigation brought by the Directorate General for Competition of the European Commission against more than 25 cargo airlines, including Lan Cargo S.A., as part of a global investigation begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation by the European and U.S.A. authorities. The start of the investigation was disclosed through a Essential Matter report dated December 27, 2007. The U.S.A. portion of the global investigation concluded when Lan Cargo S.A. and its subsidiary, Aerolíneas Brasileiras S.A. (“ABSA”) signed a *Plea Agreement* with the U.S.A. Department of Justice, as disclosed in a Essential Matter report notice on January 21, 2009.
- (b) A Essential Matter report dated November 9, 2010, reported that the General Direction of Competition had issued its decision on this case (the "decision"), under which it imposed fines totaling € 799,445,000 (seven hundred and ninety nine million four hundred and forty-five thousand Euros) for infringement of European Union regulations on free competition against eleven (11) airlines, among which are LATAM Airlines Group S.A. and Lan Cargo S.A., Air Canada, Air France, KLM, British Airways, Cargolux, Cathay Pacific, Japan Airlines, Qantas Airways, S.A.S. and Singapore Airlines.
- (c) Jointly, LATAM Airlines Group S.A. and Lan Cargo S.A., have been fined in the amount of € 8,220,000 (eight million two hundred twenty thousand Euros) for said infractions, which was provisioned in the financial statements of LATAM Airlines Group S.A.. This is a minor fine in comparison to the original decision, as there was a significant reduction in fine because LATAM Airlines Group S.A. cooperated during the investigation.
- (d) On January 24, 2011, LATAM Airlines Group S.A. and Lan Cargo S.A. appealed the decision before the Court of Justice of the European Union. At March 31, 2014, the provision reached the amount of ThUS\$ 11,321 (ThUS\$ 11,349 at December 31, 2013).

NOTE 24 - TAX LIABILITIES

The composition of Tax liabilities is as follow:

	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Income tax provision	28,958	9,919
Additional tax provision	<u>1,260</u>	<u>1,664</u>
Total current	<u><u>30,218</u></u>	<u><u>11,583</u></u>

NOTE 25 - OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Deferred revenues (*)	2,621,329	2,739,125
Sales tax	45,329	52,576
Retentions	73,057	49,355
Others taxes	9,179	12,294
Other sundry liabilities	<u>13,988</u>	<u>18,290</u>
Total other non-financial liabilities, current	<u>2,762,882</u>	<u>2,871,640</u>
Non-current		
Deferred revenues (*)	77,923	77,513
Other sundry liabilities	<u>56</u>	<u>54</u>
Total other non-financial liabilities, non-current	<u>77,979</u>	<u>77,567</u>
Total other non-financial liabilities	<u>2,840,861</u>	<u>2,949,207</u>

(*) Note 2.20.

The balance comprises, among other, programs such as: LANPASS, TAM Fidelidade y Multiplus.

LANPASS is the frequent flyer program created by LAN to reward the preference and loyalty its customers with many benefits and privileges, through the accumulation of kilometers that can be exchanged for tickets to fly free or for a wide range of products and services. Customers accumulate LANPASS kilometers every time they fly with LAN, TAM, in companies **oneworld**® members and other airlines associated with the program, as well as buy on the stores or use the services of a vast network of companies that have an agreement with the program around the world.

For its part, TAM, thinking people who travel constantly, created the program TAM Fidelidade, in order to improve care and give recognition to those who choose the company. Through the program, customers accumulate points in a variety of programs loyalty in a single account and can redeem them at all TAM destinations and companies airline partners, and even more, participate in the Red Multiplus Fidelidade.

Multiplus is a coalition of loyalty program, with the aim of operating activities accumulation and redemption of points TAM Fidelidade. This program has an integrated network by associates including hotels, financial institutions, retail companies, supermarkets, vehicle rentals and magazines, among many other partners from different segments.

NOTE 26 - EMPLOYEE BENEFITS

Liability for employee benefits as of March 31, 2014 and December 31, 2013, respectively, are as follows:

	As of December 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Pension payments	10,951	9,639
Termination payments	579	493
Other obligations	36,964	35,534
Total liability for employee benefits	<u>48,494</u>	<u>45,666</u>

(a) The movement in Pension and termination payments and other obligations between January 1, 2013 and March 31, 2014 is as follows:

	<u>ThUS\$</u>
Opening balance as of January 1, 2013	38,095
Increase (decrease) current service provision	(15,343)
Benefits paid	<u>(705)</u>
Closing balance as of March 31, 2013 (Unaudited)	<u>22,047</u>
Opening balance as of April 1, 2013	22,047
Increase (decrease) current service provision	25,914
Benefits paid	<u>(2,295)</u>
Closing balance as of December 31, 2013	<u>45,666</u>
Opening balance as of January 1, 2014	45,666
Increase (decrease) current service provision	2,871
Benefits paid	<u>(43)</u>
Closing balance as of March 31, 2014 (Unaudited)	<u>48,494</u>

(b) The liability for short-term benefits as of March 31, 2014 and December 31, 2013, respectively, is detailed below:

	As of March 31, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$ Unaudited
Profit-sharing and bonuses (*)	<u>39,108</u>	<u>110,147</u>

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

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

(c) Employment expenses are detailed below:

	For the periods ended March 31,	
	<u>2014</u> ThUS\$	<u>2013</u> ThUS\$
	Unaudited	
Salaries and wages	406,271	448,120
Short-term employee benefits	119,227	92,283
Termination benefits	12,623	15,083
Other personnel expenses	61,646	61,884
Total	<u>599,767</u>	<u>617,370</u>

NOTE 27 - ACCOUNTS PAYABLE, NON-CURRENT

Non-current accounts payable as of March 31, 2014 and December 31, 2013 are as follows:

	As of March 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
	Unaudited	
Aircraft and engine maintenance	681,468	663,837
Tax recovery program (*)	182,270	176,666
Fleet financing (JOL)	55,403	57,997
Provision for vacations and bonuses	8,985	9,879
Other accounts payable	2,719	2,654
Other sundry liabilities	10,803	11,854
Total accounts payable, non-current	<u>941,648</u>	<u>922,887</u>

(*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance.

NOTE 28 - EQUITY

(a) Capital

The Company's objective is to maintain an appropriate level of capitalization that enables it to ensure access to the financial markets for carrying out its medium and long-term objectives, optimizing the return for its shareholders and maintaining a solid financial position.

The Capital of the Company is managed and composed in the following form:

The capital of the Company at March 31, 2014 amounts to ThUS\$ 2,545,705 divided into 545,547,819 common stock of a same series (ThUS\$ 2,389,384, divided into 535,243,229 shares as of December 31, 2013), no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

(b) Subscribed and paid shares

The following table shows the movement of the authorized and fully paid shares described above between January 1, 2013 and March 31, 2014.

Movement of authorized shares	Nro. Of shares
Autorized shares as of January 1, 2013	488,355,882
No movement of autorized shares at March 31, 2013	-
Autorized shares as of March 31, 2013 (Unaudited)	<u>488,355,882</u>
Autorized shares as of April 1, 2013	488,355,791
Increase capital approved at Extraordinary Shareholders meeting dated June 11, 2013	63,500,000
Full right decrease of treasury stock	(7,972)
Autorized shares as of December 31, 2013	<u>551,847,819</u>
Autorized shares as of January 1, 2014	551,847,819
No movement of autorized shares at March 31, 2014	-
Autorized shares as of March 31, 2014 (Unaudited)	<u>551,847,819</u>

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, 2013	479,098,052	1,507,200	(6,182)	1,501,018
Placement of the remaining preferential shares issued for merger Companies Sister Holdco S.A. y Holdco II S.A.	4,457,739	104,351	-	104,351
Paid shares as of March 31, 2013 (Unaudited)	<u>483,555,791</u>	<u>1,611,551</u>	<u>(6,182)</u>	<u>1,605,369</u>
Paid shares as of April 1, 2013	483,555,791	1,611,551	(6,182)	1,605,369
Full right decrease of treasury stock	(7,972)	(25)	-	(25)
Capitalization of reserves	-	-	(179)	(179)
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	51,695,410	784,219	-	784,219
Paid shares as of December 31, 2013	<u>535,243,229</u>	<u>2,395,745</u>	<u>(6,361)</u>	<u>2,389,384</u>
Paid shares as of January 1, 2014	535,243,229	2,395,745	(6,361)	2,389,384
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	10,304,590	156,321	-	156,321
Paid shares as of March 31, 2014 (Unaudited)	<u>545,547,819 (3)</u>	<u>2,552,066</u>	<u>(6,361)</u>	<u>2,545,705</u>

- (1) Amounts reported represent only those arising from the payment of the shares subscribed.
- (2) Decrease of capital by capitalization of reserves for cost of issuance and placement of shares established according to Extraordinary Shareholder's Meetings, where such decreases were authorized.
- (3) At March 31, 2014, the difference between authorized shares and fully paid shares are 6,300,000 shares allocated to compensation plans for executives of LATAM Airlines Group S.A. and subsidiaries (see Note 37(a)).

(c) Treasury stock

At March 31, 2014, the Company does not maintain treasury stock, the remnant of ThUS\$(178) corresponds to the difference between the amount paid for the shares and their book value, at the time of the full right decrease of the shares.

At December 31, 2013, as per minutes of the Extraordinary Shareholder's Meeting held on June 11, 2013, the company relinquished all right to 7,972 stocks of its portfolio, this date the Company does not maintain treasury stock.

(d) Reserve of share- based payments

The movement of Reserves of share- based payments between January 1, 2013 and March 31, 2014, is as follows:

	Reserve of share - based payments
	<u>ThUS\$</u>
Opening balance as of January 1, 2013	5,574
Stock option plan	<u>413</u>
Closing balance as of March 31, 2013 (Unaudited)	<u>5,987</u>
Opening balance as of April 1, 2013	5,987
Stock option plan	18,464
Deferred tax	<u>(3,440)</u>
Closing balance as of December 31, 2013	<u>21,011</u>
Opening balance as of January 1, 2014	21,011
Stock option plan	4,393
Deferred tax	<u>(860)</u>
Closing balance as of March 31, 2014 (Unaudited)	<u>24,544</u>

These reserves are related to the "Share-based payments" explained in Note 37.

(e) Other sundry reserves

The movement of Other sundry reserves between January 1, 2013 and March 31, 2014, is as follows:

	Other sundry reserves ThUS\$
Opening balance as of January 1, 2013	2,666,682
Transactions with non-controlling interest	(16,681)
Legal reserves	<u>(557)</u>
Closing balance as of March 31, 2013 (Unaudited)	<u>2,649,444</u>
Opening balance as of April 1, 2013	2,649,444
Transactions with non-controlling interest	14,731
Cost of issuance and placement of shares (*)	(5,443)
Capitalization share issuance and placement cost (**)	179
Legal reserves	<u>(1,111)</u>
Closing balance as of December 31, 2013	<u>2,657,800</u>
Opening balance as of January 1, 2014	2,657,800
Transactions with non-controlling interest	990
Legal reserves	<u>(481)</u>
Closing balance as of March 31, 2014 (Unaudited)	<u>2,658,309</u>

(*) The costs incurred through the issuance and placement correspond to ThUS\$ 5,264 and ThUS\$ 179 corresponding at increase of capital according to the Extraordinary Meeting of Shareholders held on June 11, 2013 and at the remaining 7,436,816 shares, not used in this exchange, reallocated as agreed at the Extraordinary Shareholders' Meeting held on September 4, 2012.

(**) The cost of ThUS\$ 179, were capitalized during June 2013, according to the Extraordinary Shareholders' Meeting held on June 11, 2013.

(e.1) Other sundry reserves

The balance of Other sundry reserves comprises the following:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
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)	(4,365)	(5,355)
Cost of issuance and placement of shares	(5,264)	(5,264)
Others	(374)	107
Total	<u>2,658,309</u>	<u>2,657,800</u>

- (1) Corresponds to the difference in the shares value of TAM S.A. acquired (under subscriptions) by Sister Holdco S.A. and Holdco II S.A. (under the Exchange Offer), as stipulated in the Declaration of Posting of Merger by Absorption and the fair value of these exchange shares of LATAM Airlines Group S.A. at June 22, 2012.
- (2) Corresponds to the technical revaluation of fixed assets authorized by the Superintendence of Securities and Insurance in 1979, in Circular No. 1,529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.
- (3) The balance at March 31, 2014, correspond to the loss generated by the participation by Lan Pax Group S.A. in the acquisition of shares of Aerovías de Integración Regional Aires of ThUS\$ (3,480), the acquisition of TAM S.A. of the minority holding of Aerolinhas Brasileiras S.A. of ThUS\$ (885).

(f) Reserves with effect in other comprehensive income.

The movement of Reserves with effect in other comprehensive income between January 1, 2013 and March 31, 2014 is as follows:

	Currency translation reserve	Cash flow hedging reserve	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	3,574	(140,730)	(137,156)
Derivatives valuation gains (losses)	-	22,798	22,798
Deferred tax	-	(5,962)	(5,962)
Conversion difference subsidiaries	43,951	-	43,951
Closing balance as of March 31, 2013 (Unaudited)	<u>47,525</u>	<u>(123,894)</u>	<u>(76,369)</u>
Opening balance as of April 1, 2013	47,525	(123,894)	(76,369)
Derivatives valuation gains (losses)	-	101,429	101,429
Deferred tax	-	(12,043)	(12,043)
Conversion difference subsidiaries	(637,516)	-	(637,516)
Closing balance as of December 31, 2013	<u>(589,991)</u>	<u>(34,508)</u>	<u>(624,499)</u>
Opening balance as of January 1, 2014	(589,991)	(34,508)	(624,499)
Derivatives valuation gains (losses)	-	(29,002)	(29,002)
Deferred tax	-	2,245	2,245
Conversion difference subsidiaries	146,434	-	146,434
Closing balance as of March 31, 2014 (Unaudited)	<u>(443,557)</u>	<u>(61,265)</u>	<u>(504,822)</u>

(f.1) Currency translation reserve

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

(f.2) Cash flow hedging reserve

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

(g) Retained earnings

The movement of Retained earnings between January 1, 2013 and March 31, 2014, is as follows:

	ThUS\$
Opening balance as of January 1, 2013	1,076,136
Result for the period	42,745
Provision 30%, minimum mandatory dividend	(12,823)
Other increase (decreases)	10,528
Closing balance as of March 31, 2013 (Unaudited)	<u>1,116,586</u>
Opening balance as of April 1, 2013	1,116,586
Result for the period	(323,859)
Reversal of provision 30%, minimum mandatory dividend	12,823
Other increase (decreases)	(10,247)
Closing balance as of December 31, 2013	<u>795,303</u>
Opening balance as of January 1, 2014	795,303
Result for the period	(41,333)
Other increase (decreases)	(3)
Closing balance as of March 31, 2014 (Unaudited)	<u>753,967</u>

(h) Dividends per share

As of December 31, 2013

Description of dividend	Final dividend 2012
Date of dividend	04-29-2013
Amount of the dividend (ThUS\$)	3,288
Number of shares among which the dividend is distributed	483,547,819
Dividend per share (US\$)	0.0068

The Company's dividend policy is that dividends distributed will be equal to the minimum required by law, i.e. 30% of the net income according to current regulations. This policy does not preclude the Company from distributing dividends in excess of this obligatory minimum, based on the events and circumstances that may occur during the course of the year.

At March 31, 2014, have not been provisioned minimum mandatory dividends.

NOTE 29 - REVENUE

The detail of revenues is as follows:

	For the periods ended March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	Unaudited	
Passengers	2,688,611	2,871,378
Cargo	<u>402,645</u>	<u>460,394</u>
Total	<u><u>3,091,256</u></u>	<u><u>3,331,772</u></u>

NOTE 30 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the periods ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	Unaudited	
Other rentals and landing fees	324,071	359,064
Aircraft fuel	1,080,184	1,245,155
Comissions	105,540	90,188
Other operating expenses	375,857	392,804
Aircraft rentals	127,868	106,500
Aircraft maintenance	130,331	108,385
Passenger services	75,817	84,519
Total	<u>2,219,668</u>	<u>2,386,615</u>

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the periods ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	Unaudited	
Depreciation (*)	231,462	275,472
Amortization	14,128	15,421
Total	<u>245,590</u>	<u>290,893</u>

(*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at March 31, 2014 is ThUS\$ 88,335 (ThUS\$ 117,961 at same period of 2013).

(c) Personnel expenses

The costs for personnel expenses are disclosed in Note 26 liability for employee benefits.

(d) Financial costs

The detail of financial costs is as follows:

	For the periods ended	
	March 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
	<u>Unaudited</u>	
Bank loan interest	108,910	83,400
Financial leases	21,332	21,932
Other financial instruments	1,142	4,843
Total	<u>131,384</u>	<u>110,175</u>

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 26, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.

(e) Restructuring Costs

As part of the ongoing process of review its fleet plan, the company decided to implement a broad restructuring plan in order to reduce the variety of aircraft currently in operation and gradually withdrawing the least efficient. According with this plan, during the first quarter of 2014 were formalized contracts and commitments having as a result a negative impact on the results of such period of US\$ 112 million before tax that are associated with exit costs of seven A330, six A340, five B737, three Q400, five A319 and three B767-33A aircraft. These exit costs are associated with penalties related to early repayment and maintenance costs for returning.

NOTE 31 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the periods ended	
	March 31,	
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Duty free	2,910	3,923
Aircraft leasing	9,913	8,798
Customs and warehousing	5,113	5,185
Tours	25,008	27,968
Maintenance	11	3,718
Multiplus	34,676	10,585
Other miscellaneous income	8,548	17,018
Total	<u>86,179</u>	<u>77,195</u>

NOTE 32 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

The functional currency of LATAM Airlines Group S.A. is the US dollar, also it has subsidiaries whose functional currency is different to the US dollar, such as the Chilean peso, Argentine peso, Colombian peso and Brazilian real, the latter due to business combinations with TAM S.A. and Subsidiaries.

The functional currency is defined primarily as the currency of the primary economic environment in which an entity operates in each state and all other currencies are defined as foreign currency.

Considering the above, the balances by currency mentioned in this note correspond to the sum of foreign currency of each of the entities that make LATAM Airlines Group S.A. and Subsidiaries.

a) Foreign currency

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

<u>Current assets</u>	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Cash and cash equivalents	523,458	538,213
Argentine peso	17,600	41,092
Brazilian real	1,628	3,683
Chilean peso	14,842	229,913
Colombian peso	6,915	5,254
Euro	18,587	16,571
U.S. dollar	273,418	44,656
Strong bolivar	148,493	162,809
Other currency	41,975	34,235
Other financial assets, current	46,460	51,082
Argentine peso	-	885
Chilean peso	25,828	25,854
Colombian peso	735	2,039
Euro	6	6
U.S. dollar	19,596	22,035
Strong bolivar	43	14
Other currency	252	249

<u>Current assets</u>	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Other non - financial assets, current	43,829	56,218
Argentine peso	3,808	5,310
Brazilian real	841	846
Chilean peso	14,710	16,846
Colombian peso	1,050	1,011
Euro	1,808	3,052
U.S. dollar	3,298	2,221
Strong bolivar	-	102
Other currency	18,314	26,830
Trade and other accounts receivable, current	448,425	417,775
Argentine peso	23,217	11,387
Brazilian real	26,141	19,986
Chilean peso	79,205	80,461
Colombian peso	4,714	2,240
Euro	26,749	21,479
U.S. dollar	112,434	114,372
Strong bolivar	791	2,353
Other currency	175,174	165,497
Accounts receivable from related entities, current	244	466
Chilean peso	244	466
Tax current assets	22,268	14,836
Chilean peso	5,942	3,398
Colombian peso	1,184	787
Euro	38	35
U.S. dollar	536	515
Other currency	14,568	10,101
<u>Current assets</u>		
Total current assets	1,084,684	1,078,590
Argentine peso	44,625	58,674
Brazilian real	28,610	24,515
Chilean peso	140,771	356,938
Colombian peso	14,598	11,331
Euro	47,188	41,143
U.S. Dollar	409,282	183,799
Strong bolivar	149,327	165,278
Other currency	250,283	236,912

<u>Non-current assets</u>	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u>
Other financial assets, non-current	16,305	17,517
Argentine peso	20	24
Brazilian real	683	597
Chilean peso	1,217	1,701
Colombian peso	249	254
Euro	4,620	5,488
U.S. dollar	8,679	8,625
Other currency	837	828
Other non - financial assets, non-current	18,044	18,006
Other currency	18,044	18,006
Accounts receivable, non-current	12,558	13,429
Chilean peso	7,356	8,227
U.S. dollar	5,000	5,000
Other currency	202	202
Deferred tax assets	4,586	4,460
U.S. dollar	2,181	2,056
Other currency	2,405	2,404
Total non-current assets	51,493	53,412
Argentine peso	20	24
Brazilian real	683	597
Chilean peso	8,573	9,928
Colombian peso	249	254
Euro	4,620	5,488
U.S. dollar	15,860	15,681
Other currency	21,488	21,440

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

<u>Current liabilities</u>	<u>Up to 90 days</u>		<u>91 days to 1 year</u>	
	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$ Unaudited
Other financial liabilities, current	279,996	303,626	346,307	561,428
Chilean peso	52,740	53,619	45,085	46,772
Euro	846	824	1,179	1,205
U.S. dollar	226,410	249,183	300,043	513,451
Trade and other accounts payables, current	740,047	679,769	110,084	20,676
Argentine peso	17,670	31,603	394	-
Brazilian real	10,770	9,671	5	8
Chilean peso	53,415	29,560	11,084	11,975
Colombian peso	16,403	14,445	415	422
Euro	22,497	19,373	2,559	3,316
U.S. dollar	480,769	433,377	95,577	4,902
Strong bolivar	3,450	4,024	-	-
Other currency	135,073	137,716	50	53
Accounts payable to related entities, current	77	318	-	-
Chilean peso	4	14	-	-
U.S. dollar	73	304	-	-
Tax liabilities, current	42	134	-	-
Chilean peso	42	4	-	-
Other currency	-	130	-	-

<u>Current liabilities</u>	<u>Up to 90 days</u>		<u>91 days to 1 year</u>	
	As of	As of	As of	As of
	March 31,	December 31,	March 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited	
Other non-financial liabilities, current	73,432	76,040	63	72
Argentine peso	10,450	10,710	-	-
Brazilian real	1,978	3,746	44	52
Chilean peso	41,217	37,227	19	19
Colombian peso	4,491	6,069	-	-
Euro	6,586	8,382	-	-
U.S. dollar	-	1,272	-	-
Strong bolivar	379	637	-	-
Other currency	8,331	7,997	-	1
Total current liabilities	1,093,594	1,059,887	456,454	582,176
Argentine peso	28,120	42,313	394	-
Brazilian real	12,748	13,417	49	60
Chilean peso	147,418	120,424	56,188	58,766
Colombian peso	20,894	20,514	415	422
Euro	29,929	28,579	3,738	4,521
U.S. dollar	707,252	684,136	395,620	518,353
Strong bolivar	3,829	4,661	-	-
Other currency	143,404	145,843	50	54

<u>Non-current liabilities</u>	<u>More than 1 to 3 years</u>		<u>More than 3 to 5 years</u>		<u>More than 5 years</u>	
	As of	As of	As of	As of	As of	As of
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited		Unaudited	
Other financial liabilities, non-current	508.294	578.393	670.039	754.256	1.276.941	1.366.860
Chilean peso	118.355	122.780	62.754	80.528	-	-
U.S. dollar	389.939	455.613	607.285	673.728	1.276.941	1.366.860
Accounts payable, non-current	611.329	647.880	817	641	14	11
Chilean peso	6.003	7.187	817	641	14	11
U.S. dollar	603.705	639.204	-	-	-	-
Other currency	1.621	1.489	-	-	-	-
Other provisions, non-current	11.905	11.929	-	-	-	-
Argentine peso	377	410	-	-	-	-
Brazilian real	146	146	-	-	-	-
Chilean peso	36	-	-	-	-	-
Euro	11.321	11.349	-	-	-	-
U.S. dollar	25	24	-	-	-	-
Provisions for						
employees benefits, non-current	678	636	-	-	-	-
U.S. dollar	678	636	-	-	-	-
Total non-current liabilities	1.132.206	1.238.838	670.856	754.897	1.276.955	1.366.871
Argentine peso	377	410	-	-	-	-
Brazilian real	146	146	-	-	-	-
Chilean peso	124.394	129.967	63.571	81.169	14	11
Euro	11.321	11.349	-	-	-	-
U.S. dollar	994.347	1.095.477	607.285	673.728	1.276.941	1.366.860
Other currency	1.621	1.489	-	-	-	-

<u>General summary of foreign currency:</u>	As of March 31, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Total assets	1,136,177	1,132,002
Argentine peso	44,645	58,698
Brazilian real	29,293	25,112
Chilean peso	149,344	366,866
Colombian peso	14,847	11,585
Euro	51,808	46,631
U.S. dollar	425,142	199,480
Strong bolivar	149,327	165,278
Other currency	271,771	258,352
Total liabilities	4,630,065	5,002,669
Argentine peso	28,891	42,723
Brazilian real	12,943	13,623
Chilean peso	391,585	390,337
Colombian peso	21,309	20,936
Euro	44,988	44,449
U.S. dollar	3,981,445	4,338,554
Strong bolivar	3,829	4,661
Other currency	145,075	147,386
Net position		
Argentine peso	15,754	15,975
Brazilian real	16,350	11,489
Chilean peso	(242,241)	(23,471)
Colombian peso	(6,462)	(9,351)
Euro	6,820	2,182
U.S. dollar	(3,556,303)	(4,139,074)
Strong bolivar	145,498	160,617
Other currency	126,696	110,966

b) Exchange differences

Exchange differences recognized in the income statement, except for financial instruments measured at fair value through profit or loss, for the period ended March 31, 2014 and 2013, generated a gain of ThUS\$ 56,990 and ThUS\$ 32,997, respectively.

Exchange differences recognized in equity as reserves for currency translation differences accumulated at March 31, 2014 and 2013, represented a gain of ThUS\$ 144,422 and ThUS\$ 44,874, respectively.

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

	As of March 31, <u>2014</u> Unaudited	As of December 31, <u>2013</u>
Argentine peso	8.00	6.52
Brazilian real	2.25	2.36
Chilean peso	551.18	524.61
Colombian peso	1,969.70	1,925.52
Euro	0.73	0.72
Strong bolivar	6.30	6.30
Australian dollar	1.08	1.12
Boliviano	6.86	6.86
Mexican peso	13.05	13.07
New Zealand dollar	1.15	1.22
Peruvian Sol	2.81	2.80
Uruguayan peso	22.55	21.49

NOTE 33 - EARNINGS PER SHARE

	For the periods ended	
	March 31,	
Basic earnings	2014	2013
	<u>Unaudited</u>	
Earnings attributable to controlling company's equity holders (ThUS\$)	(41,333)	42,745
Weighted average number of shares, basic	545,547,819	482,704,053
Basic earnings per share (US\$)	(0.07576)	0.08855

	For the periods ended	
	March 31,	
Diluted earnings	2014	2013
	<u>Unaudited</u>	
Earnings attributable to controlling company's equity holders (ThUS\$)	(41,333)	42,745
Weighted average number of shares, basic	<u>545,547,819</u>	<u>482,704,053</u>
Weighted average number of shares, diluted	<u>545,547,819</u>	<u>482,704,053</u>
Diluted earnings per share (US\$)	(0.07576)	0.08855

NOTE 34 – CONTINGENCIES

Lawsuits

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

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Atlantic Aviation Investments LLC (AAI).	Supreme Court of the State of New York County of New York.	07-6022920	Atlantic Aviation Investments LLC. ("AAI"), an indirect subsidiary LATAM Airlines Group S.A., incorporated under the laws of the State of Delaware, sued in August 29th, 2007 Varig Logistics S.A. ("Variglog") for non-payment of four documented loans in credit agreements governed by New York law. These contracts establish the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A.	In implementation stage in Switzerland, the conviction stated that Variglog should pay the principal, interest and costs in favor of AAI. It keeps the embargo of Variglog funds in Switzerland with AAI. Variglog is in the process of judicial recovery in Brazil and has asked Switzerland to recognize the judgment that declared the state of judicial recovery and subsequent the bankruptcy.	17,100 Plus interests and costs
Atlantic Aviation Investments LLC (AAI).	Supreme Court of the State of New York County of New York.	602286-09	Atlantic Aviation Investments LLC. ("AAI") sued on July 24, 2009 Matlin Patterson Global Advisers LLC, Matlin Patterson Global Opportunities Partners II LP, Matlin Patterson Global Opportunities Partners (Cayman) II LP and Logistics LLC Volo (a) as alter egos of Variglog for non-payment of the four loans mentioned in the previous note and (b) for breach of its obligation to guarantee and other obligations under the Memorandum of Understanding signed between the parties on September 29, 2006.	AAI filed a "summary judgment" (abbreviated trial) which the court ruled favorably. The defendants appealed this decision which was ultimately dismissed by the High Court. The cause was turned back to the lower court for determination of the amount actually payable by the applicants (damages) ongoing proceedings before the court.	17,100 Plus interest costs and compensation for damage.

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Lan Argentina S.A.	National Administrative Chamber.	36337/13	ORSNA Resolution No. 123 which directs Lan Argentina to vacate the hangar located in the Metropolitan Airport.	ORSNA appealed the injunction that ordered to rescind the eviction. Lan Argentina filed suit against Resolution No. 123 of ORSNA. On December 23, 2013, the Second Division of the National Court of Appeals in Federal Administrative Matters confirmed the injunction decided in First Instance in favor of Lan Argentina S.A., being suspended eviction order formalized by ORSNA respect Aeroparque Jorge Newbery hangar. On March 21, 2014, the Court of 1st Instance extended the validity of the injunction (which expired on March 27, 2014) for 180 days.	Undetermined

(ii) Trials received by LATAM Airlines Group S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.	-	Investigation for possible violations of airline competition freighters, especially fuel surcharge. On December 26, 2007, the Directorate General for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. of a case against twenty-five cargo airlines, including Lan Cargo S.A., for possible violations of free competition in the European air cargo market, especially the alleged fixing a fuel surcharge and freight. On November 9, 2010, the Directorate General for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the imposition of a fine in the amount of ThUS\$ 11,321. This penalty is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. The outcome of this appeal cannot be predicted.	On April 14, 2008, the notification of the European Commission was answered. The appeal was filed on January 24, 2011.	11,321
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery Division (England) Ovre Romerike Distrtict Court (Norway) and Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands).	-	Lawsuits filed against European airlines by users of freight services in private prosecutions as a result of the investigation for possible violations of airline competition freighters, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A. have been sued in court proceedings as third parties, based in England, Norway and the Netherlands.	Case is in evidence discovery process.	Undetermined

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Aerolinhas Brasileiras S.A.	Administrative Council for Economic Defense, Brazil.	-	Investigation for possible violations of airline competition freighters, especially fuel surcharge.	On September 3, 2013, CADE's decision was published in the Diario da Uniao confirming the sentencing of violation and imposition of fines to ABSA for the amount of ThUS\$ 50,435. This fine will be appealed by ABSA. In turn CADE fined also a current director of ABSA and two former officials for the respective amounts of ThUS\$ 1,009, ThUS\$ 504 and ThUS\$ 504. We can not predict the outcome of this appeal process.	50,435
Aerolinhas Brasileiras S.A.	Federal Revenue Secretary of Brazil.	0001872-58.2014.4.03.6105	We are discussing the collection of court fines originally imposed and collected through administrative process 10831.005704/2006-43. Obtained adverse decision administratively and judicially discussed presently.	First instance - pending Federal Union statement regarding our request for invalidation of the tax debt.	16,043
LATAM Airlines Group S.A.	Tenth Civil Court of Santiago.	-	The company Jara&Jara Limited sues LATAM Airlines Group S.A. based on the damage they have caused due to the criminal complaints filed for the crime of fraud against them in 2008, which were dismissed for good. They claim that the damage caused by LATAM Airlines Group S.A. affected their prestige and business continuity.	First instance.	11,935

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Tam Linhas Aéreas S.A.	Tribunal Regional Federal da 2 da Região (Court of the Second Region).	2001.51.01.012530-0	Ordinary judicial action brought to declare that there is no legal relationship obligating the Company to raise the Air Fund.	First instance sentence not favorable. Currently awaiting the decision of the appeal filed by the company. To suspend the tax credit application to the Court was delivered by guarantee ThUS\$ 105 which is revealed in more detail in Note 23.	128,182
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	16643.000087/2009-36	Notice of Violation of the requirement to pay the social contribution on net profit ("CSL").	Decisions of first and second administrative instance adverse to the interests of the Company. Currently awaiting the decision of the new action brought by the Company.	32,008
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10880.725950/2011-05	Compensation claims of social contributions PIS and COFINS.	Court decision was unfavorable to the interests of the company, so it was appealed. At present, pending the trial of the appeal, the Board of Tax Appeals (CARF).	29,426
Tam Linhas Aéreas S.A.	6th Public rod of Sao Paulo.	0012938-14.2013.8.26.0053	Judgment proposed to cancel the collection of incident Service Tax on amounts paid to Infraero.	The request for interlocutory preliminary appeal was granted suspending the accrual of tax credits derived from the infringement file N° 66233992, 66234000 and 66234026 .	14,692

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	16643.000085/2009-47	Auto compound to demand and collection of income tax and detail CSL derived royalties and fees using the mark TAM.	First instance decision unfavorable to the interests of the company. It is expected, currently ruling on the appeal filed by the company.	14,166
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10831.012344/2005-55	Infraction II presented to demand payment and social contributions of PIS and COFINS arising from the loss of unidentified international cargo.	Partially favorable decision in the first administrative and supportive in the second instance. However, the upper chamber of the Board of Tax Appeals was to the special appeal filed by the Union. Currently pending resolution of the motion for clarification with the opposition of the company.	11,395
Tam Linhas Aéreas S.A.	Tribunal do Trabalho de Porto Alegre - Labor Court of Porto Alegre.	0001611-93.2012.5.04.0013	Civil Action in the Ministry of Labour, which requires the granting of black shoes, belts and socks for employees who wear uniforms.	Process in the first instance. Awaiting sentencing.	10,740 Approximate value
Tam Linhas Aéreas S.A.	Labor Justice Salvador / BA – Labor Jurisdiction Salvador / BA.	0000033-78.2011.5.05.0021	Class action by the National Union of Aviation workers, which requires payment of risk bonus for all employees of the SSA base.	Process in the first instance. Awaiting sentencing.	19,754 Approximate value

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Aerovías de Integración Regional AIRES S.A.	Florida U.S.A.	2013-20319 CA 01	In July 30, 2012 LAN AIRLINES COLOMBIA initiated legal proceedings in Colombia against regional One Inc. and Volvo Aero Services LLC, in order to declare that these companies are civilly liable for moral and material damages caused to LAN AIRLINES COLOMBIA , arising from breach of contractual obligations of the aircraft HK. In June 20, 2013 AIRES SA AND / OR LAN AIRLINES COLOMBIA was notified of the lawsuit filed in the U.S. by INC and Dash regional One 224 LLC for damages caused by the aircraft HK claiming COLOMBIA LAN AIRLINES had the requirement to obtain customs import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.	The process in Colombia is pending resolution of preliminary objections filed by the defendant The Federal Court ruled on March 26, 2014 and approved the request made by LAN AIRLINES COLOMBIA in order to suspend the process in the U.S. while the demand is underway in Colombia. Additionally, the U.S. judge closed the case administratively.	12,443
Tam Linhas Aéreas S.A.	Secretary of Finance of Rio de Janeiro.	03.431129-0	It is an infraction, for which the State of Rio de Janeiro requires the VAT tax credit for purchasing fuel kerosene (jet fuel). According to a report, the auditor notes that there is no legislation in Rio de Janeiro for the appropriation of this credit, so the credit has been rejected and required tribute.	Waiting for the contestation presented by the company.	100,597

In order to deal with any financial obligations arising from legal proceedings outstanding at March 31 st 2014, whether civil, labor or tax, LATAM Airlines Group S.A., has made provisions, which are included in heading Other provisions, non-current, which is disclosed in Note 23.

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

NOTE 35 - COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 777 and 787 aircraft, which carry the guarantee of the United States Export-Import Bank, limits have been set on some of the Company's financial indicators on a consolidated basis. Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership and disposal of assets.

Additionally, with respect to various loans signed by its subsidiary Lan Cargo S.A. for the financing of Boeing 767F and 777F aircraft, which carry the guarantee of the United States Export-Import Bank, restrictions have been established to the Company's management and its subsidiary Lan Cargo S.A. in terms of shareholder composition and disposal of assets.

In connection with the financing of spare engines for its Boeing 767, 767F, 777, 777F, which are guaranteed by the Export - Import Bank of the United States, restrictions have been placed on the ownership structure of their guarantors and their legal successor in case of merger.

The Company and its subsidiaries do not maintain financial credit contracts with local banks that indicate some limits on financial indicators of the Company or its subsidiaries.

At March 31, 2014, the Company is in compliance with all indicators detailed above.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

<u>Lessor</u>	<u>Aircraft</u>	As of March 31, <u>2014</u>	As of December 31, <u>2013</u>
		Unaudited	
ACS Aircraft Finance Bermuda Ltd. - Airastle (WFBN)	Boeing 737	1	1
Airbus Financial Services	Airbus A340	3	3
Aircraft 76B-26329 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-27613 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-27615 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-28206 Inc. (ILFC)	Boeing 767	1	1
Aviacion Centaurus, A.I.E (Santander)	Airbus A319	3	3
Aviación Centaurus, A.I.E.	Airbus A321	1	1
Aviación Real A.I.E.	Airbus A319	1	1
Aviación Real A.I.E.	Airbus A320	1	1
Aviación Tritón A.I.E.	Airbus A319	3	3
Avolon Aerospace AOE 19 Limited	Airbus A320	1	1
Avolon Aerospace AOE 20 Limited	Airbus A320	1	1
Avolon Aerospace AOE 6 Limited	Airbus A320	1	1
Avolon Aerospace AOE 62 Limited	Boeing 777	1	1
Avolon Aerospace AOE 63 Limited	Boeing 787	1	1
AWAS 4839 Trust	Airbus A320	1	1
AWAS 5125 Trust	Airbus A320	1	1
AWAS 5178 Limited	Airbus A320	1	1
AWAS 5234 Trust	Airbus A320	1	1
Baker & Spice Aviation Limited	Airbus A320	2	2
BOC Aviation Pte. Ltd.	Airbus A320	1	1
CIT Aerospace International	Boeing 767	1	1
CIT Aerospace International	Airbus A319	1	1
CIT Aerospace International	Airbus A320	4	4
Continuity Air Finance IV B.V (BOC)	Airbus A319	1	1
Delaware Trust Company, National Association (CRAFT)	Bombardier Dhc8-200	7	7
Eden Irish Aircr Leasing MSN 1459 (AERCAP)	Airbus A320	1	1
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A320	10	10
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A330	2	2
GFL Aircraft Leasing Netherlands B.V. (GECAS)	Airbus A320	1	1
International Lease Finance Corporation	Boeing 737	-	1
International Lease Finance Corporation	Boeing 767	1	1
International Lease Finance Corporation	Airbus A320	1	1

<u>Lessor</u>	<u>Aircraft</u>	As of	As of
		March 31,	December 31,
		2014	2013
		Unaudited	
KN Operating Limited (NAC)	Bombardier Dhc8-400	2	3
MASL Sweden (1) AB (MACQUARIE)	Airbus A320	1	1
MASL Sweden (2) AB (MACQUARIE)	Airbus A320	1	1
MASL Sweden (7) AB (MACQUARIE)	Airbus A320	1	1
MASL Sweden (8) AB (MACQUARIE)	Airbus A320	1	1
MCAP Europe Limited - Mitsubishi (WTC)	Boeing 737	1	1
Orix Aviation Systems Limited	Airbus A320	2	3
PB Leasing Aircraft	Airbus A320	1	-
Pembroke B737-7006 Leasing Limited	Boeing 737	1	2
RBS Aerospace Limited	Airbus A320	6	6
SKY HIGH V LEASING COMPANY LIMITED	Airbus A320	1	1
Sky High XXIV Leasing Company Limited	Airbus A320	5	3
Sky High XXV Leasing Company Limited	Airbus A320	2	2
SMBC Aviation Capital Limited	Airbus A321	2	-
Sunflower Aircraft Leasing Limited - AerCap	Airbus A320	2	2
Volito Aviation August 2007 AB	Airbus A320	2	2
Volito Aviation November 2006 AB	Airbus A320	2	2
Volito Brasilien AB	Airbus A319	1	1
Volito November 2006 AB	Airbus A320	2	2
Wells Fargo Bank North National Association (ACG)	Airbus A319	1	1
Wells Fargo Bank North National Association (ACG)	Airbus A320	2	2
Wells Fargo Bank North National Association (BOC)	Airbus A319	3	3
Wells Fargo Bank Northwest N.A (AVOLON)	Airbus A320	3	4
Wells Fargo Bank Northwest N.A (MUL AC)	Airbus A320	1	-
Wells Fargo Bank Northwest National Association (ACG)	Airbus A320	2	2
Wells Fargo Bank Northwest National Association (AerCap)	Airbus A330	10	10
Wells Fargo Bank Northwest National Association (BBAM)	Boeing 777	1	1
Wells Fargo Bank Northwest National Association (BBAM)	Boeing 787	1	1
Wells Fargo Bank Northwest National Association (BOC)	Airbus A320	1	1
Wells Fargo Bank Northwest National Association (Aircastle)	Boeing 777	4	-
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 767	3	4
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 777	2	2
Wilmington Trust Company (ILFC)	Airbus A319	1	1
Yamasa Singapore Pte. Ltd.	Airbus A340	-	1
Zipdell Limited (BBAM)	Airbus A320	1	1
Total		<u>131</u>	<u>128</u>

The rentals are shown in results for the period for which they are incurred.

The minimum future lease payments not yet payable are the following:

	As of March 31, 2014 <u>ThUS\$</u> Unaudited	As of December 31, 2013 <u>ThUS\$</u> Unaudited
No later than one year	500,054	475,762
Between one and five years	1,274,352	1,101,741
Over five years	369,458	335,019
Total	<u>2,143,864</u>	<u>1,912,522</u>

The minimum lease payments charged to income are the following:

	For the periods ended March 31,	
	<u>2014</u> <u>ThUS\$</u>	<u>2013</u> <u>ThUS\$</u>
	<u>Unaudited</u>	
Minimum operating lease payments	<u>127,868</u>	<u>112,708</u>
Total	<u>127,868</u>	<u>112,708</u>

In the first quarter of 2013, it returned an Airbus A320-200, while during the second quarter of 2013 two Airbus A319-100, one Airbus A320-200 and one Bombardier Dhc8-200 were returned as their leasing contracts had ended. During June 2013 the contracts system applied to ten Airbus A330-200 aircraft was changed from financial leasing to operative leasing, with each aircraft being leased for a period of forty months. During the third quarter of 2013, two Airbus A320-200 aircraft was leased for a period of 8 years each, one Boeing 787 aircraft was leased for a period of 12 years and two Boeing 777 aircraft were leased for a period of 5 years each. Moreover, one Airbus A320-200, two Boeing 767-300 aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, during July of 2013 two Dhc8-200 aircraft were acquired on leasing. In the fourth quarter of 2013, three Airbus A320-200 aircraft was leased for a period of eight years each, one Boeing 787 aircraft was leased for a period of twelve years. Moreover, two Airbus A320-200, one Airbus A319-100, one Airbus A340-300 and one Boeing 737-700 aircraft were returned.

During the first quarter of 2014, two Airbus A320-200 aircraft were acquired and two Airbus A321-200 aircraft were leased for a period of 8 years each. Moreover, two Boeing 737-700 aircraft, one Boeing B767-300F aircraft, one Boeing B767-300F aircraft, one Airbus A340-300 aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, during March 2014 four Boeing 777 aircraft was changed from financial leasing to operative leasing, with each aircraft being leased for periods between four and six years each.

The operating lease agreements signed by the Company and its subsidiaries state that maintenance of the aircraft should be done according to the manufacturer's technical instructions and within the margins agreed in the leasing agreements, a cost that must be assumed by the lessee. The lessee should also contract insurance for each aircraft to cover associated risks and the amounts of these assets. Regarding rental payments, these are unrestricted and may not be netted against other accounts receivable or payable between the lessor and lessee.

At March 31, 2014 the Company has existing letters of credit related to operating leasing as follows:

<u>Creditor Guarantee</u>	<u>Debtor</u>	<u>Type</u>	<u>Value ThUS\$</u>	<u>Release date</u>
AFS Investments 48 LLC.	Lan Cargo S.A.	Two letter of credit	3,500	Apr 25, 2015
CIT Aerospace International	LATAM Airlines Group S.A.	Three letter of credit	5,980	May 13, 2014
GE Capital Aviation Services Limited	LATAM Airlines Group S.A.	Six letter of credit	23,325	Jun 30, 2014
GE Capital Aviation Services Limited	Lan Cargo S.A.	Three letter of credit	9,474	Jun 30, 2014
International Lease Finance Corp	LATAM Airlines Group S.A.	Five letter of credit	2,300	Jun 26, 2014
ORIX Aviation System Limited	LATAM Airlines Group S.A.	One letter of credit	3,255	Jul 31, 2014
PB Leasing Aircraft, No 28 (UK) Limited	LATAM Airlines Group S.A.	One letter of credit	3,265	May 5, 2015
TAF Mercury	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 4, 2014
TAF Venus	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 4, 2014
Wells Fargo Bank Northwest, National Association	Lan Cargo S.A.	One letter of credit	2,530	Jun 30, 2014
Baker & Spice Aviation Limited	Tam Linhas Aéreas S.A.	One letter of credit	17,858	Apr 13, 2014
BOC Aviation (USA) Corporation	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Nov 29, 2014
Cit Aerospace International	Tam Linhas Aéreas S.A.	Four letter of credit	21,714	May 31, 2014
DVB Group Merchant Bank (Asia) Ltd.	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Dec 4, 2014
PK Airfinance US, Inc.	Tam Linhas Aéreas S.A.	One letter of credit	1,600	Dec 19, 2014
Royal Bank Of scotland Aerospace	Tam Linhas Aéreas S.A.	One letter of credit	4,796	Jul 9, 2014
SMBC Aviation Capital Ltd.	Tam Linhas Aéreas S.A.	Two letter of credit	16,862	Aug 25, 2014
Wells Fargo Bank Northwest, National Association	Tam Linhas Aéreas S.A.	Two letter of credit	6,000	Mar 23, 2015
Wilmington Trust SP Services Ltd.	Tam Linhas Aéreas S.A.	One letter of credit	5,738	Jan 31, 2015
			<u>147,197</u>	

(c) Other commitments

At March 31, 2014 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

<u>Creditor Guarantee</u>	<u>Debtor</u>	<u>Type</u>	<u>Value ThUS\$</u>	<u>Release date</u>
American Alternative Insurance Corporation	LATAM Airlines Group S.A.	Four letter of credit	3,140	Apr 5, 2015
Citibank N.A.	LATAM Airlines Group S.A.	One letter of credit	6,825	Dec 20, 2014
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	11,318	Feb 11, 2015
Deutsche Bank A.G.	LATAM Airlines Group S.A.	Three letter of credit	40,000	Jun 1, 2014
Dirección General de Aviación Civil de Chile	LATAM Airlines Group S.A.	Eighty three letter of credit	16,469	Apr 30, 2014
Dirección Nacional de Aduanas	LATAM Airlines Group S.A.	Four letter of credit	1,312	Jun 28, 2014
Dirección Regional de Aduanas Metropolitana	LATAM Airlines Group S.A.	Two letter of credit	1,000	Dec 31, 2014
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	Líneas Aéreas Nacionales del Ecuador S.A.	One letter of credit	5,500	Jun 21, 2014
Metropolitan Dade County	LATAM Airlines Group S.A.	Five letter of credit	1,675	May 31, 2015
Fisco de Chile	LATAM Airlines Group S.A.	Twenty nine letter of credit	1,030	Jun 30, 2014
The Royal Bank of Scotland plc	LATAM Airlines Group S.A.	Two letter of credit	28,000	May 20, 2014
Washington International Insurance	LATAM Airlines Group S.A.	Three letter of credit	2,600	Jun 9, 2014
Westpac Banking Corporation	LATAM Airlines Group S.A.	One letter of credit	1,295	Apr 4, 2015
6ª Vara de Execuções Fiscais Federal de Campo Grande/MS	Tam Linhas Aéreas S.A. (Pantanal)	Two insurance policies guarantee	33,346	Jan 4, 2016
8 Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A. (Pantanal)	One insurance policies guarantee	16,174	Apr 12, 2015
Fundação de Proteção e Defesa do Consumidor Procon	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,930	May 16, 2016
Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	3,441	Mar 29, 2016
Vara De Execuções Fiscais Estaduais de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	16,180	Apr 16, 2015
União Federal	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,115	Jul 24, 2015
			<u>192,350</u>	

NOTE 36 - TRANSACTIONS WITH RELATED PARTIES

(a) Transactions with related parties for the period ended March 31, 2014 (Unaudited)

<u>Tax No.</u>	<u>Related party</u>	<u>Nature of relationship with related parties</u>	<u>Country of origin</u>	<u>Explanation of other information about related parties</u>	<u>Nature of related parties transactions</u>	<u>Currency</u>	<u>Transaction amount with related parties</u>
							ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	Investments	Revenue from services provided	CLP	21
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor	CLP	62
					Services received	CLP	(157)
					Services received	US\$	(139)
					Distribution of dividends	CLP	(267)
78.591.370-1	Bethia S.A y filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	(1)
					Revenue from services provided	CLP	367
					Services received	CLP	(184)
79.773.440-3	Transportes San Felipe S.A	Other related parties	Chile	Transport	Revenue from services provided	CLP	18
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provided	CLP	36
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Revenue from services provided	US\$	4
					Leases as lessor	US\$	(84)
Foreign	Prismah Fidelidade S.A.	Joint Venture	Brazil	Marketing	Liabilities settlement on behalf of the entity for the related party	BRL	(109)

(b) Transactions with related parties for the period ended March 31, 2013

<u>Tax No.</u>	<u>Related party</u>	<u>Nature of relationship with related parties</u>	<u>Country of origin</u>	<u>Explanation of other information about related parties</u>	<u>Nature of related parties transactions</u>	<u>Currency</u>	<u>Transaction amount with related parties ThUS\$</u>
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	Investments	Revenue from services provided	CLP	1
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor	CLP	70
					Services received	CLP	(259)
					Services received	US\$	(233)
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	(1)
					Revenue from services provided	CLP	481
					Services received	CLP	(180)
					Sale of Property plant and equipment (1)	CLP	14,217
79.773.440-3	Transportes San Felipe S.A.	Other related parties	Chile	Transport	Services received	CLP	(158)
					Commitments made on behalf of the entity	CLP	37
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provided	CLP	75
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Leases as lessor	US\$	(102)
Foreign	Jochmann Participacoes Ltda.	Other related parties	Brazil	Transport	Services received	US\$	(9)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Other related parties	Brazil	Transport	Revenue from services provided	BRL	153
					Commitments made on behalf of the entity	BRL	(20)
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	Transport	Services received	BRL	(1)
Foreign	Prismah Fidelidade S.A.	Other related parties	Brazil	Marketing	Liabilities settlement on behalf of the entity for the related party	BRL	(97)

(1) On December 28, 2012, Inmobiliaria Aeronáutica S.A. as seller and Sotraser S.A. (Subsidiary of Bethia S.A.) as purchaser, entered into an agreement to purchase the land called "Lot No. 12 of parcellation project Lo Echevers". The value of the sale amounts to ThUS\$ 14,217. On December 31, 2013, this balance is paid.

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

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

(c) Compensation of key management

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

	For the periods ended	
	March 31,	
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Remuneration	5,250	4,644
Management fees	170	76
Non-monetary benefits	449	132
Short-term benefits	187	4,008
Share-based payments	4,412	-
Total	<u>10,468</u>	<u>8,860</u>

NOTE 37 - SHARE-BASED PAYMENTS

(a) Compensation plan for increase of capital in LATAM Airlines Group S.A.

Compensation plans implemented by providing options for the subscription and payment of shares that have been granted from the first quarter of 2013 are recognized in the financial statements in accordance with the provisions of IFRS 2 "Share-based Payment", showing the effect of the fair value of the options granted under compensation in linear between the date of grant of such options and the date on which these irrevocable.

(a.1) Compensation plan 2011

At a Special Shareholders Meeting held December 21, 2011, the Company's shareholders approved, among other matters, an increase of capital of which 4,800,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, pursuant to Article 24 of the Companies Law. In this compensation plan no member of the controlling group would be benefited. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the following schedule of accrual and is related to the permanence condition of the executive as employee of the Company at these dates for the exercise of the options:

<u>Percentage</u>	<u>Period</u>	<u>Number of share options</u>
30%	From December 21, 2014 and until December 21, 2016.	
30%	From December 21, 2015 and until December 21, 2016.	
40%	From June 21, 2016 and until December 21, 2016.	
Share options in agreements of share- based payments, as of January 1, 2013		-
Share options granted		<u>4,497,000</u>
Share options in agreements of share- based payments, as of December 31, 2013		<u>4,497,000</u>
Share options in agreements of share- based payments, as of January 1, 2014		4,497,000
Share options granted		<u>160,000</u>
Share options in agreements of share- based payments, as of March 31, 2014 (Unaudited)		<u>4,657,000</u>

These options have been valued and recorded at fair value at the grant date, determined by the "Black-Scholes-Merton". The effect on income to March 2014 corresponds to ThUS\$ 4,300.

The input data of option pricing model used for share options granted are as follows:

<u>Weighted average share price</u>	<u>Exercise price</u>	<u>Expected volatility</u>	<u>Life of option</u>	<u>Dividends expected</u>	<u>Risk-free interest</u>
US\$ 23.55	US\$ 24.97	61.52%	3.6 years	0%	0.0055

(a.2) Compensation plan 2013

At the Extraordinary Shareholders' Meeting held on June 11, 2013, the Company's shareholders approved motions including increasing corporate equity, of which 1,500,000 shares were allocated to compensation plans for employees of the Company and its affiliates, in conformity with the stipulations established in Article 24 of the Corporations Law. Regard to this compensation plan, not exist yet a defined date for implementation. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the following schedule of accrual and is related to the permanence condition of the executive at these dates for the exercise of the options:

<u>Percentage</u>	<u>Period</u>
100%	From November 15, 2017 and until June 11, 2018.

(b) Subsidiaries compensation plans

TAM Linhas Aereas S.A. and Multiplus S.A., both subsidiaries of TAM S.A., have outstanding stock options at March 31, 2014, which amounted to 837,733 shares and 811,070 shares, respectively.

TAM Linhas Aéreas S.A.

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

Multiplus S.A.

<u>Description</u>	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>1st Extraordinary Grant</u>	<u>2nd Extraordinary Grant</u>	<u>3rd Extraordinary Grant</u>	<u>4th Extraordinary Grant</u>	<u>Total</u>
Date	<u>10-04-2010</u>	<u>11-08-2010</u>	<u>04-16-2012</u>	<u>10-04-2010</u>	<u>10-04-2010</u>	<u>10-04-2010</u>	<u>04-16-2012</u>	<u>11-20-2013</u>	
Outstanding option number	<u>7,759</u>	<u>2,245</u>	<u>153,560</u>	<u>320,961</u>	<u>120,970</u>	<u>-</u>	<u>-</u>	<u>205,575</u>	<u>811,070</u>

The Options of TAM Linhas Aéreas S.A., under the plan's terms, are divided into three equal parts and employees can run a third of its options after three, four and five years respectively, as long as they remain employees of the company. The agreed term of the options is seven years.

For Multiplus S.A., the plan's terms provide that the options granted to the usual prizes are divided into three equal parts and employees may exercise one-third of their two, three and four, options respectively, as long as they keep being employees of the company. The agreed term of the options is seven years after the grant of the option. The first extraordinary granting was divided into two equal parts, and only half of the options may be exercised after three years and half after four years. The second extraordinary granting was also divided into two equal parts, which may be exercised after one and two years respectively.

Both companies have an option that contains a "service condition" in which the exercise of options depends exclusively on the delivery services by employees during a predetermined period. Terminated employees will be required to meet certain preconditions in order to maintain their right to the options.

The acquisition of the share's rights, in both companies is as follows:

Company	Number of shares Accrued options	Number of shares Non accrued options
TAM Linhas Aéreas S.A.	609,258	228,475
Multiplus S.A.	-	811,070

In accordance with IFRS 2 - Share-based payments, the fair value of the option must be recalculated and recorded as a liability of the Company once payment is made in cash (cash-settled). The fair value of these options was calculated using the Black-Scholes method, where the cases were updated with information LATAM Airlines Group S.A. The fair value recorded in liabilities at March 31, 2014 is ThUS\$ 1,802 and in income ThUS\$ 112.

NOTE 38 - THE ENVIRONMENT

LATAM Airlines Group S.A. manages environmental issues at the corporate, centralized in Environmental Management. To monitor the company and minimize their impact on the environment is a commitment to the highest level, where continuous improvement and contribute to the solution of the problem of global climate change, generating added value to the company and the region, are the pillars of his administration.

One function of Environmental Management, in conjunction with the various areas of the Company, is to ensure environmental compliance, implementing a management system and environmental programs that meet the increasingly demanding requirements globally; well as continuous improvement programs in their internal processes that generate environmental and economic benefits and to join the currently completed.

The Environment Strategy LATAM Airlines Group S.A., is based on the following objectives:

- Minimize the impact of its operations by using a modern fleet, efficient operational management and continuous incorporation of new technologies.
- Promote the efficient use of resources and minimization of waste in all processes.
- Manage responsibly our carbon footprint by measuring, monitoring and reducing emissions.
- Promote the development and use of alternative energy more efficient and less environmental impact.

For 2014, we have established three priority areas of work to develop:

1. Advance in the implementing an Environmental Management System;
2. Manage the Carbon Footprint by measuring, external verification and compensation of our emissions by ground operations;
3. Development of environmental projects based on renewable energy.
4. Establishment of corporate strategy to meet the global target of aviation to have a carbon neutral growth by 2020.

Similarly, during the 1Q, have worked in the following initiatives:

- Advance in the implementation of an Environmental Management System for main operations.
- Preparation of the environmental chapter for reporting sustainability of the company, to measure progress on environmental issues.
- Measurement and external verification of the Corporate Carbon Footprint.
- Active participation in the project Renewable Bio Chile.

The total amount of the Environmental Division expenses for 2014 is US\$ 468,800.

NOTE 39 – EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

On April 29, 2014, in ordinary Shareholders' Meeting was proceeded to elect the members of the board of LATAM Airlines Group S.A., which shall hold office for two years. The following persons were elected:

1. Juan José Cueto Plaza;
2. Mauricio Rolim Amaro;
3. María Claudia Amaro;
4. Ramón Eblen Kadis;
5. Carlos Heller Solari;
6. Francisco Luzón López;
7. Ricardo J. Caballero;
8. Juan Gerardo Jofré Miranda; and
9. Georges de Bourguignon Arndt.

Directors listed in the numbers 7, 8 and 9 above were elected as Independent Directors, according to article 50 bis of Corporation Law N° 18,046 active in Chile.

Subsequent at March 31, 2014 until the date of issuance of these financial statements, there is no knowledge of other financial facts or otherwise, that could significantly affect the balances or interpretation thereof.

LATAM Airlines Group S.A. and Subsidiaries' consolidated financial statements as at March 31, 2014, have been approved by the Board of Director's in an extraordinary meeting held on May 13, 2014.