

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 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, November 12, 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 September 30, 2014, the related consolidated interim statements of income and comprehensive income for the nine and three-month periods ended September 30, 2014 and the related consolidated interim statements of cash flows and changes in equity for the nine-month periods then ended.

*Management's responsibility for the consolidated interim financial statements*

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with the standards established by the Chilean Superintendency of Securities and Insurance as described in Note 2.1. 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 information 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 information, for them to be in conformity with the standards established by the Chilean Superintendency of Securities and Insurance.





Santiago, November 12, 2014  
Latam Airlines Group S.A.

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*Basis of accounting*

The interim consolidated financial statements of Latam Airlines Group S.A. and subsidiaries have been prepared by Management on the basis of the Chilean Superintendency of Securities and Insurance regulations for preparation and presentation of financial information as described in Note 2.1 which, except for the application of Official Circular N° 856 issued by that Superintendency, are consistent with International Financial Reporting Standards. The quantification of the effect of the application of Official Circular N° 856 mentioned above, are detailed in Notes 20 and 27. Our conclusion is not modified regarding this matter.

*Other matters*

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

On November 11, 2013 we issued an unmodified review report over the interim consolidated financial statements as of September 30, 2013 of Latam Airlines Group S.A. and subsidiaries, which include the accompanying interim consolidated income statements for the nine and three-month periods ended as of September 30, 2013, and the interim consolidated statements of cash flows and changes in equity for the nine-month period then ended.

A stylized, handwritten signature in dark ink, appearing to be 'JY Gibbons'.

Jonathan Yeomans Gibbons  
RUT: 13.473.972-K

A stylized, handwritten signature in dark ink, appearing to be 'Ramon...'.

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LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

		As of September 30,	As of December 31,
	Note	2014	2013
		ThUS\$	ThUS\$
		Unaudited	
Current assets			
Cash and cash equivalents	6 - 7	750,309	1,984,903
Other financial assets	7 - 12	525,717	709,944
Other non-financial assets	13	239,045	335,617
Trade and other accounts receivable	7 - 8	1,712,607	1,633,094
Accounts receivable from related entities	7 - 9	385	628
Inventories	10	264,536	231,028
Tax assets	11	100,880	81,890
		<hr/>	<hr/>
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		3,593,479	4,977,104
		<hr/>	<hr/>
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	14	1,098	2,445
		<hr/>	<hr/>
Total current assets		3,594,577	4,979,549
		<hr/>	<hr/>
Non-current assets			
Other financial assets	7 - 12	67,592	65,289
Other non-financial assets	13	354,808	272,276
Accounts receivable	7 - 8	41,045	100,775
Equity accounted investments	16	1,839	6,596
Intangible assets other than goodwill	17	2,015,562	2,093,308
Goodwill	18	3,565,196	3,727,605
Property, plant and equipment	19	10,606,011	10,982,786
Deferred tax assets	20	400,569	402,962
		<hr/>	<hr/>
Total non-current assets		17,052,622	17,651,597
		<hr/>	<hr/>
Total assets		20,647,199	22,631,146
		<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes 1 to 38 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

		As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
LIABILITIES	Note		
<b>Current liabilities</b>			
Other financial liabilities	7 - 21	1,562,138	2,039,787
Trade and other accounts payables	7 - 22	1,632,289	1,557,736
Accounts payable to related entities	7 - 9	346	505
Other provisions	23	20,804	27,856
Tax liabilities	11	15,787	11,583
Other non-financial liabilities	24	2,729,162	2,871,640
Total current liabilities		<u>5,960,526</u>	<u>6,509,107</u>
<b>Non-current liabilities</b>			
Other financial liabilities	7 - 21	7,039,081	7,859,985
Accounts payable	7 - 26	781,415	922,887
Other provisions	23	1,020,795	1,122,247
Deferred tax liabilities	20	867,193	767,228
Employee benefits	25	48,237	45,666
Other non-financial liabilities	24	67,448	77,567
Total non-current liabilities		<u>9,824,169</u>	<u>10,795,580</u>
Total liabilities		<u><u>15,784,695</u></u>	<u><u>17,304,687</u></u>
<b>EQUITY</b>			
Share capital	27	2,545,705	2,389,384
Retained earnings	27	437,080	795,303
Treasury Shares	27	(178)	(178)
Other reserves	27	1,780,764	2,054,312
Parent's ownership interest		4,763,371	5,238,821
Non-controlling interest	15	99,133	87,638
Total equity		<u>4,862,504</u>	<u>5,326,459</u>
Total liabilities and equity		<u><u>20,647,199</u></u>	<u><u>22,631,146</u></u>

The accompanying Notes 1 to 38 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 9 months ended		For the 3 months ended	
		September 30,		September 30,	
	Note	2014	2013	2014	2013
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
		Unaudited			
Revenue	28	9,109,787	9,608,395	3,047,572	3,269,967
Cost of sales		(7,311,171)	(7,571,631)	(2,440,103)	(2,433,849)
Gross margin		1,798,616	2,036,764	607,469	836,118
Other income	30	256,676	260,161	93,728	90,711
Distribution costs		(762,492)	(751,325)	(250,515)	(263,057)
Administrative expenses		(750,486)	(833,314)	(225,880)	(312,458)
Other expenses		(301,488)	(305,692)	(106,695)	(96,928)
Other gains/(losses)		(96,603)	(33,263)	(7,484)	(33,240)
Gains (losses) from operating activities		144,223	373,331	110,623	221,146
Financial income		68,596	51,751	23,347	12,003
Financial costs	29	(330,348)	(340,220)	(85,930)	(113,794)
Equity accounted earnings	16	(4,470)	995	(889)	469
Foreign exchange gains/(losses)	31	(39,944)	(360,892)	(144,093)	(12,699)
Result of indexation units		(16)	138	3	163
Income (loss) before taxes		(161,959)	(274,897)	(96,939)	107,288
Income (loss) tax expense	20	(24,785)	45,744	4,106	(52,078)
NET INCOME (LOSS) FOR THE PERIOD		(186,744)	(229,153)	(92,833)	55,210
Income (loss) attributable to owners					
of the parent		(208,072)	(234,992)	(107,829)	52,093
Income (loss) attributable to non-controlling interest	15	21,328	5,839	14,996	3,117
Net income (loss) for the period		(186,744)	(229,153)	(92,833)	55,210
EARNINGS PER SHARE					
Basic earnings (losses) per share (US\$)	32	(0.38140)	(0.48597)	(0.19765)	0.10773
Diluted earnings (losses) per share (US\$)	32	(0.38140)	(0.48597)	(0.19765)	0.10773

The accompanying Notes 1 to 38 form an integral part of these interim consolidated financial statements.



LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the 9 months ended September 30,		For the 3 months ended September 30,	
		2014	2013	2014	2013
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
		Unaudited			
NET INCOME (LOSS)		(186,744)	(229,153)	(92,833)	55,210
Components of other comprehensive income that will be reclassified to income before taxes					
Currency translation differences					
Gains (losses) on currency translation, before tax	31	(261,280)	(391,143)	(542,025)	(36,968)
Other comprehensive income, before taxes, currency translation differences		(261,280)	(391,143)	(542,025)	(36,968)
Cash flow hedges					
Gains (losses) on cash flow hedges before taxes	21	(46,827)	68,307	(14,250)	25,154
Other comprehensive income (losses), before taxes, cash flow hedges		(46,827)	68,307	(14,250)	25,154
Other components of other comprehensive income (loss), before taxes		(308,107)	(322,836)	(556,275)	(11,814)
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	16,205	(11,809)	10,959	(3,451)
Income taxes related to components of other comprehensive income that will be reclassified to income		16,205	(11,809)	10,959	(3,451)
Other comprehensive income (loss)		(291,902)	(334,645)	(545,316)	(15,265)
Total comprehensive income (loss)		(478,646)	(563,798)	(638,149)	39,945
Comprehensive income (loss) attributable to owners of the parent		(471,498)	(548,685)	(631,594)	41,680
Comprehensive income (loss) attributable to non-controlling interests		(7,148)	(15,113)	(6,555)	(1,735)
TOTAL COMPREHENSIVE INCOME (LOSS)		(478,646)	(563,798)	(638,149)	39,945

The accompanying Notes 1 to 38 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											
Note	Change in other reserves							Retained earnings	Parent's ownership interest	Non-controlling interest	Total equity
	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Shares based payments reserve	Other sundry reserve	Total other sundry reserve				
	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)	27	-	-	-	-	-	-	(208,072)	(208,072)	21,328	(186,744)
Other comprehensive income		-	(231,635)	(31,791)	-	-	(263,426)	-	(263,426)	(28,476)	(291,902)
Total comprehensive income		-	(231,635)	(31,791)	-	-	(263,426)	(208,072)	(471,498)	(7,148)	(478,646)
Transactions with shareholders											
Equity issuance	27-36	156,321	-	-	-	-	-	-	156,321	-	156,321
Increase (decrease) through transfers and other changes, equity	27-36	-	-	-	8,157	(18,279)	(10,122)	(150,151)	(160,273)	18,643	(141,630)
Total transactions with shareholders		156,321	-	-	8,157	(18,279)	(10,122)	(150,151)	(3,952)	18,643	14,691
Closing balance as of											
September 30, 2014 (Unaudited)		2,545,705	(178)	(821,626)	(66,299)	29,168	2,639,521	437,080	4,763,371	99,133	4,862,504

The accompanying Notes 1 to 38 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		Parent's	Non-	Total	
<u>Note</u>	<u>capital</u>	<u>shares</u>	<u>translation</u>	<u>reserve</u>	<u>reserve</u>	<u>reserve</u>	<u>reserve</u>	<u>earnings</u>	<u>interest</u>	<u>interest</u>	<u>equity</u>	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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)	27	-	-	-	-	-	-	(234,992)	(234,992)	5,839	(229,153)	
Other comprehensive income		-	(368,505)	54,812	-	-	(313,693)	-	(313,693)	(20,952)	(334,645)	
Total comprehensive income		-	(368,505)	54,812	-	-	(313,693)	(234,992)	(548,685)	(15,113)	(563,798)	
Transactions with shareholders												
Equity issuance	27-36	104,351	-	-	-	-	-	-	104,351	-	104,351	
Dividends	27	(25)	25	-	-	-	-	-	-	-	-	
Increase (decrease) through												
transfers and other changes, equity	27-36	(179)	-	-	-	11,751	(17,482)	(5,731)	11,461	(785)	4,766	
Total transactions with shareholders		104,147	25	-	-	11,751	(17,482)	(5,731)	11,461	(785)	109,117	
Closing balance as of												
September 30, 2013 (Unaudited)		1,605,165	(178)	(364,931)	(85,918)	17,325	2,649,200	2,215,676	852,605	4,673,268	92,736	4,766,004

The accompanying Notes 1 to 38 form an integral part of these interim consolidated financial statements.

# LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the periods ended September 30,	
		2014	2013
		ThUS\$	ThUS\$
		Unaudited	
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		9,434,101	9,816,232
Other cash receipts from operating activities		76,377	14,019
Payments for operating activities			
Payments to suppliers for goods and services		(6,607,670)	(7,379,029)
Payments to and on behalf of employees		(1,832,337)	(1,800,612)
Other payments for operating activities		(362,026)	(18,355)
Interest received		8,236	7,855
Income taxes refunded (paid)		(79,234)	(54,842)
Other cash inflows (outflows)	6	(30,026)	70,137
Net cash flows from operating activities		607,421	655,405
Cash flows used in investing activities			
Cash flows used to obtain control of subsidiaries or other businesses		-	(5,510)
Other cash receipts from sales of equity or debt instruments of other entities		441,720	79,069
Other payments to acquire equity or debt instruments of other entities		(303,847)	(417,479)
Amounts raised from sale of property, plant and equipment		517,739	208,956
Purchases of property, plant and equipment		(888,930)	(1,219,718)
Purchases of intangible assets		(36,267)	(21,081)
Payment from other long-term assets		-	14,529
Other cash inflows (outflows)	6	(15,723)	77,338
Net cash flow from (used in) investing activities		(285,308)	(1,283,896)
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		156,344	104,351
Payments to acquire or redeem the shares of the entity		792	(148)
Amounts raised from long-term loans		428,080	1,401,245
Amounts raised from short-term loans		561,151	1,044,446
Loans repayments		(2,012,490)	(1,000,847)
Payments of finance lease liabilities		(280,979)	(347,749)
Dividends paid		(26,874)	(24,068)
Interest paid		(284,115)	(256,381)
Other cash inflows (outflows)	6	(14,949)	61,616
Net cash flows from (used in) financing activities		(1,473,040)	982,465
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		(1,150,927)	353,974
Effects of variation in the exchange rate on cash and cash equivalents		(83,667)	19,959
Net increase (decrease) in cash and cash equivalents		(1,234,594)	373,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	1,984,903	650,263
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	750,309	1,024,196

The accompanying Notes 1 to 38 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 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 Mobiliários (“CVM”) of that country, as it pertains to the issuance of BDRs.

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

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A., Costa Verde Aeronáutica SpA, Inversiones Nueva Costa Verde Aeronáutica Limitada, Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda., Inversiones La Espada Dos S.A., Inversiones Puerto Claro Dos Limitada, Inversiones La Espada Dos y Cía. Ltda., Inversiones Puerto Claro Dos y Cía. Limitada and Inversiones Mineras del Cantábrico S.A. owns 25.49% of the shares issued by the Company, and therefore is the controlling shareholder of the Company in accordance with the provisions of the letter b) of Article 97 and Article 99 of the Securities Market Law, given that there is a decisive influence on its administration.

As of September 30, 2014, the Company had a total of 1,489 registered shareholders. At that date approximately 8.19% of the Company's share capital was in the form of ADRs and approximately 0.58% in the form of BDRs.

For the period ended September 30, 2014, the Company had an average of 53,319 employees, ending this period with a total of 52,897 employees, spread over 10,071 Administrative employees, 6,964 in Maintenance, 17,368 in Operations, 9,245 in Cabin Crew, 4,011 in Controls Crew, and 5,238 in Sales.

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

a) As of September 30, 2014

Tax No.	Company	Country of origin	Functional Currency	Participation rate As of September 30, 2014			Statement of financial position As of September 30, 2014			Net Income As of September 30, 2014
				Direct ownership interest	Indirect ownership interest	Total ownership interest	Assets	Liabilities	Equity	Gain (loss)
				%	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$
				Unaudited			Unaudited			Unaudited
96.518.860-6	Lantours Division Servicios									
	Terrestres S.A. and Subsidiaries	Chile	US\$	99.9900	0.0100	100.0000	3,665	2,051	1,614	1,098
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	39,418	14,088	25,330	1,524
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (1)	Chile	US\$	99.8361	0.1639	100.0000	629,357	1,013,859	(385,513)	(100,702)
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	264,614	254,699	9,915	(102)
Foreign	Lan Chile Investments Limited and Subsidiaries (1)	Cayman Islands	US\$	99.9900	0.0100	100.0000	4,419	5,252	(833)	(4)
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	671,957	360,579	311,378	(39,795)
Foreign	Connecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	14,505	16,582	(2,077)	85
Foreign	Prime Airport Services Inc. and Subsidiary (1)	U.S.A.	US\$	0.0000	100.0000	100.0000	18,537	24,070	(5,533)	(649)
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	335,749	117,840	217,909	(11,366)
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	491	(491)	-
Foreign	Aircraft International Leasing Limited	U.S.A.	US\$	0.0000	100.0000	100.0000	-	2,806	(2,806)	(1)
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	8,509	1,766	6,743	757
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	349	13	336	4
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	41	206	(165)	(53)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (1)	Bahamas	US\$	0.0000	100.0000	100.0000	332,124	238,579	92,463	(4,358)
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (1)	Chile	CLP	0.0000	100.0000	100.0000	52,569	70,070	(15,537)	(7,102)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (1)	Chile	CLP	99.7100	0.0000	99.7100	15,582	9,194	6,374	(96)
Foreign	TAM S.A. and Subsidiaries (1) (2)	Brazil	BRL	63.0901	36.9099	100.0000	7,548,300	6,578,247	875,846	57,708

- (1) The Equity reported corresponds to Equity attributable to owners of the parent, does not include Non-controlling interest.
- (2) The indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., entity for which LATAM Airlines Group S.A. holds a 99.9983% participation on the economic rights. Additionally LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company.
- During 2014 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 250,000.

## b) As of December 31, 2013

Tax No.	Company	Country of origin	Functional Currency	Participation rate As of December 31, 2013			Statement of financial position As of December 31, 2013			Net Income As of september 30, 2013	
				Direct	Indirect	Total	Assets	Liabilities	Equity	Gain (loss)	Unaudited
				ownership	ownership	ownership					
				interest	interest	interest					
				%	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
96.518.860-6	Lantours Division Servicios										
	Terrestres S.A. and Subsidiaries	Chile	US\$	99.9900	0.0100	100.0000	2,722	2,210	512	498	
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	38,553	12,124	26,429	637	
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)	(80,491)	
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	263,516	252,109	11,407	(7,727)	
Foreign	Lan Chile Investments Limited and Subsidiaries (1)	Cayman Islands	US\$	99.9900	0.0100	100.0000	4,419	5,248	(829)	(1)	
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	772,640	413,527	359,113	1,183	
Foreign	Connecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	9	2,171	(2,162)	1	
Foreign	Prime Airport Services Inc. and Subsidiary (1)	U.S.A.	US\$	0.0000	100.0000	100.0000	13,528	18,412	(4,884)	103	
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	359,693	120,399	239,294	9,510	
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	560	(560)	-	
Foreign	Aircraft International Leasing Limited	U.S.A.	US\$	0.0000	100.0000	100.0000	-	2,805	(2,805)	(5)	
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	10,675	3,684	6,991	1,197	
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	381	13	368	(2)	
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	52	201	(149)	(39)	
Foreign	Lan Cargo Overseas Limited and Subsidiaries (1)	Bahamas	US\$	0.0000	100.0000	100.0000	354,250	256,109	96,817	116,787	
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)	756	
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	137	
Foreign	TAM S.A. and Subsidiaries (1) (2)	Brazil	BRL	63.0901	36.9099	100.0000	8,695,458	7,983,671	617,035	(408,050)	

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

(2) The indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., entity for which LATAM Airlines Group S.A. holds a 99.9983% participation on the economic rights. Additionally LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company.

During 2013 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 1,650,000.



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 September 30, 2014, are detailed below:

(1) Incorporation or acquisition of companies

- On October 11, 2013, TAM S.A., under each contracts of sale of shares with Lan Cargo Overseas Limited (indirect subsidiary of LATAM Airlines Group S.A.) , TADEF, Participação e Consultoria Empresarial Ltda. y Jochman Participações Ltda. acquired the 100% of the shares of Aerolinhas Brasileiras S.A. (ABSA). The effect of this transaction on LATAM Airlines Group S.A. corresponds to the purchase of shares on ABSA that possessed the companies TADEF, Participação e Consultoria Empresarial Ltda. and Jochman Participações Ltda., which represented the non-controlling interest on the acquired company.
- At September 30, 2014 Lan Pax Group S.A. is the direct owner of 55% of Aerolane Líneas Aéreas Nacionales del Ecuador S.A.. For their part, Holdco Ecuador S.A. is owner of 45% remaining. ANST SpA owner of 80% of shares with voting rights of Holdco Ecuador S.A. is owned 100% of Mr. Antonio Stagg, an Ecuadorian national.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1. Basis of Preparation

The interim consolidated financial statements of LATAM Airlines Group S.A. are for the period ended September 30, 2014, and have been prepared in accordance with Standards and Instructions by Chilean Superintendency of Securities and Insurance (SVS), which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and International Accounting Standard 34 (IAS34) incorporated therein, except as provided by its Office Circular No. 856, as detailed in the following paragraph.

On September 26, 2014 the law No. 20,780 was promulgated, and on September 29, 2014 was published in the Official Journal of the Republic of Chile, which introduces modifications to the tax system in Chile concerning income tax, among other matters. In relation to the Law, on October 17, 2014 the SVS issued Office Circular No. 856, in which it decided that the restatement of assets and liabilities by deferred income taxes that occur as a direct effect of the First- Category Tax rate increase introduced by Law No. 20,780 (Tax reform) will be held in equity and not as indicates the IAS 12. In notes 2.17 and 20 the criteria and impacts related to the registration of the effects of the reform and the implementation of the Circular cited are detailed.

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

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

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

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

(i)	Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
	Amendment to IAS 32: Financial instruments: Presentation	December 2011	01/01/2014

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
Amendment to IAS 27: Separate financial statements and IFRS 10: Consolidated financial statements and IFRS 12: Disclosure of interests in other entities	October 2012	01/01/2014
Amendment to IAS 36: Impairment of assets	May 2013	01/01/2014 The Company adopted in advance this amendment at December 31, 2013.
Amendment to IAS 39: Financial instruments: Recognition and measurement	June 2013	01/01/2014
Amendment to IAS 19: Employee Benefits	November 2013	07/01/2014
(ii) Interpretations		
IFRIC 21: Levies	May 2013	01/01/2014
(iii) Improvements		
Improvements to the International Financial Reporting Standards (2012): IFRS 2: Share-based Payment; IFRS 3: Business Combinations Therefore, IFRS 9, IAS 37, and IAS 39 are also modified; IFRS 8: Operating Segments, IFRS 13: Fair Value Measurement, IFRS 9 and IAS 39 were consequently changed; IAS 16: Property, Plant and Equipment, and IAS 38: Intangible Assets; and IAS 24: Related Party Disclosures.	December 2013	07/01/2014
Improvements to the International Financial Reporting Standards (2013): IFRS 1: First-time Adoption of International Financial Reporting Standards; IFRS 3: Business Combinations; IFRS 13: Fair Value Measurement; and IAS 40: Investment Property.	December 2013	07/01/2014

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

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

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
IFRS 9: Financial instruments	December 2009	01/01/2018
IFRS 14: Regulatory deferral accounts	January 2014	01/01/2016
Amendment to IFRS 15: Revenue from contracts with customers	June 2014	01/01/2017
Amendment to IFRS 9: Financial instruments.	November 2013	01/01/2018
Amendment to IFRS 11: Joint arrangements.	May 2014	01/01/2016
Amendment to IAS 16: Property, plant and equipment, and IAS 38: Intangible assets.	May 2014	01/01/2016
Amendment to IAS 16: Property, plant and equipment, and IAS 41: Agriculture.	June 2014	01/01/2016
Amendment to IAS 27: Separate financial statements.	August 2014	01/01/2016
Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures.	September 2014	01/01/2016
(ii) Improvements		
Improvements to International Financial Reporting Standards (2012-2014 cycle): FRS 5 Non-current assets held for sale and discontinued operations; IFRS 7 Financial instruments: Disclosures; IAS 19 Employee benefits and IAS 34 Interim financial reporting.	September 2014	01/01/2016

The Company's management is assessing if the adoption of the standards and amendments, described above would have a significant impact on the Company's consolidated financial statements in the year of their first application.

## 2.2. Basis of Consolidation

### (a) Subsidiaries

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

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

To account for and identify the financial information to be revealed when carrying out a business combination, such as the acquisition of an entity by the Company, shall apply the acquisition method provided for in IFRS 3 (or NIIF 3 for its acronym in Spanish). 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.

### (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.

### 2.3. Foreign currency transactions

(a) Presentation and functional currencies

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

(b) Transactions and balances

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

(c) Group entities

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

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

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

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

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

#### 2.4. Property, plant and equipment

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

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

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

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

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

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

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

## 2.5. Intangible assets other than goodwill

### (a) Brands, Airport slots and Loyalty program

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

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

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

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

### (b) Computer software

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

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 and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition, which occurs on the date of transaction.

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

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

The regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or 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.

At the date of each consolidated statement of financial position, the Company assesses if there is objective evidence that a financial asset or group of financial assets may have suffered an impairment loss.

#### 2.10. Derivative financial instruments and hedging activities

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

- (a) Hedge of the fair value of recognized assets (fair value hedge);
- (b) Hedge of an identified risk associated with a recognized liability or an expected highly- Probable transaction (cash-flow hedge), or
- (c) Derivatives that do not qualify for hedge accounting.

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

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

- (a) Fair value hedges

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

## (b) Cash flow hedges

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

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

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

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

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

## (c) Derivatives not booked as a hedge

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

## 2.11. Inventories

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

## 2.12. Trade and other accounts receivable

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

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

#### 2.13. Cash and cash equivalents

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

#### 2.14. Capital

The common shares are classified as net equity.

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

#### 2.15. Trade and other accounts payables

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

#### 2.16. Interest-bearing loans

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

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

#### 2.17. Current and deferred taxes

The expense by current tax is comprised of income and deferred taxes.

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

Deferred taxes are calculated using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their book values. However, if the temporary differences arise from the initial recognition of a liability or an asset in a transaction different from a business combination that at the time of the transaction does not affect the accounting result or the

tax gain or loss, they are not booked. The deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted at the consolidated financial statements close, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability discharged.

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

The Company does not record deferred tax on temporary differences arising on investments in subsidiaries and joint control agreements, 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.

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

According to the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014, the effects on assets and liabilities by deferred tax as a result of the rate increase of the First Category Tax approved by Law No. 20,780 (tax reform) about deferred income tax, according to IAS 12 should be imputed to income (loss) of period, have been classified as Retained earnings, under Retained earnings. The subsequent amendments shall be recognized in income (loss) of period according to IAS 12.

## 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.

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

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

- (iii) Other revenues

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

(b) Interest income

Interest income is booked using the effective interest rate method.

(c) Dividend income

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

## 2.21. Leases

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

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

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 nine months ended September 30, 2014, the Company recognized gains of US\$ 5.0 million on fuel hedging. During the same period 2013, the Company recognized gains of US\$ 17.6 million for the same reason.

At September 30, 2014, the market value of its fuel positions amounted to US\$ 42.8 million (negative). 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 September 30, 2014 (*) (Unaudited)	Maturities				Total
	Q414	Q115	Q215	Q315	
Volume (thousands of barrels)	4,143	1,489	713	744	7,089
Contracted future price (US\$ per barrel)(**)	109	105	110	114	109
Total (ThUS\$)	<u>451,587</u>	<u>156,345</u>	<u>78,430</u>	<u>84,816</u>	<u>772,701</u>
Percentage of the hedge of expected consumption value	55%	20%	10%	10%	26%

(\*) 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\$)	<u>450,230</u>	<u>201,759</u>	<u>653,840</u>
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 through the consolidated statement of comprehensive income).

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of the third quarter of 2015.

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

Benchmark price (US\$ per barrel)	Positions as of September 30, 2014 effect on equity (millions of US\$)	Positions as of December 31, 2013 effect on equity (millions of US\$)
	Unaudited	
+5	+31.51	+24.57
-5	-23.53	-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 three quarters 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\$ 79.1 million in the cost of total fuel consumption for the same period. For the first three quarters 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\$ 76.1 million of increased fuel costs.

(ii) Cash flow interest-rate risk:

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

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

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

In order to reduce the risk of an eventual rise in interest rates, the Company has signed interest-rate swap and call option contracts. Currently a 69% (70% at December 31, 2013) of the debt is fixed to fluctuations in interest rate. Therefore the Company is exposed in one portion to the variations of London Inter-Bank Offer Rate ("LIBOR") of 30 days, 90 days, 180 days and 360 days. Other interest rates of less relevance are Brazilian Interbank Deposit Certificate ("ILC"), and the Interest Rate Term of Brazil ("TJLP").

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

Increase (decrease) futures curve in libor 3 months	Positions as of September 30, 2014 effect on profit or loss before tax (millions of US\$)	Positions as of December 31, 2013 effect on profit or loss before tax (millions of US\$)
	Unaudited	
+100 basis points	-24.41	-29.70
-100 basis points	+24.41	+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 libor 3 months	Positions as of September 30, 2014 effect on equity (millions of US\$)	Positions as of December 31, 2013 effect on equity (millions of US\$)
	Unaudited	
+100 basis points	+17.23	+23.35
-100 basis points	-17.96	-24.46

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

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

(iii) Foreign exchange rate risk:

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

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

In the case of the subsidiary TAM S.A, which operates with the Brazilian Real as its functional currency, a large proportion of the company's liabilities are expressed in United States Dollars.

Therefore, this subsidiary's profit and loss varies when its financial assets and liabilities, and its accounts receivable listed in dollars are converted to Brazilian Reals. This impact on profit and loss is consolidated in the Company.

In order to reduce the volatility on the financial statements of the Company caused by rises and falls in the R\$/US\$ exchange rate, the Company has conducted transactions for to reduce the net US\$ liabilities held by TAM S.A.

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

Appreciation (depreciation) of R\$/US\$	Effect at September 30, 2014 Millons of US\$
	Unaudited
-10%	+69.8
+10%	-69.8

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

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

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

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

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

During the nine months ended at September 30, 2014 the Company recognized losses of US\$ 6.4 million on hedging FX. During the same period of 2013 the Company had no current positions for this item, so no compensation is recognized.

At September 30, 2014, the market value of its FX positions amounted to US\$ 5.9 million (positive). At end of December 2013 the market value was of US\$ 32.1 million (positive).

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

Positions at September 30, 2014 (Unaudited)	Maturities	
	Q414	Total
Volume (million of US\$)	175	175
Forward average price agreed (US\$/R\$)	2.39	2.39
Total (million of R\$)	418	418

#### Sensitivity exchange rate LATAM

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

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

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

Appreciation (depreciation) of R\$/US\$	Effect at September 30, 2014 Millions of US\$
	Unaudited
-10%	-17.42
+10%	+17.42

#### Effects of exchange rate derivatives in the Financial Statements

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

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

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

Appreciation (depreciation) of R\$/US\$	Effect at September 30, 2014 Millions of US\$	Effect at December 31, 2013 Millions of US\$
	Unaudited	
-10%	+486.18	+466.45
+10%	-397.79	-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 September 30, 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 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		ThUS\$	ThUS\$
Loans to exporters													
97.032.000-8	BBVA	Chile	US\$	84	100,000	-	-	-	100,084	100,000	At expiration	0.33	0.33
97.036.000-K	SANTANDER	Chile	US\$	100,090	45,042	-	-	-	145,132	145,000	At expiration	0.35	0.35
97.006.000-6	ESTADO	Chile	US\$	40,043	-	-	-	-	40,043	40,000	At expiration	0.43	0.43
97.030.000-7	BCI	Chile	US\$	-	100,157	-	-	-	100,157	100,000	At expiration	0.47	0.47
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	16,625	48,815	122,565	32,050	-	220,055	201,234	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	1,320	20,275	-	-	-	21,595	17,793	Monthly	31.00	31.00
0-E	BBVA	Argentina	ARS	1,737	25,464	-	-	-	27,201	21,352	Monthly	33.00	33.00
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US\$	17,141	50,728	108,324	53,185	33,403	262,781	254,421	Quarterly	1.44	1.16
0-E	PEFCO	U.S.A.	US\$	2,280	-	-	-	-	2,280	2,262	Quarterly	3.06	2.73
0-E	BNP PARIBAS	U.S.A.	US\$	12,766	38,678	105,748	109,852	214,577	481,621	432,184	Quarterly	2.34	2.20
0-E	WELLS FARGO	U.S.A.	US\$	35,519	106,645	285,088	286,129	733,897	1,447,278	1,333,186	Quarterly	2.26	1.57
0-E	CITIBANK	U.S.A.	US\$	17,688	52,186	141,474	145,070	314,809	671,227	624,804	Quarterly	2.06	1.35
97.036.000-K	SANTANDER	Chile	US\$	5,465	16,499	44,720	45,858	79,330	191,872	185,438	Quarterly	1.32	0.77
0-E	BTMU	U.S.A.	US\$	2,919	8,820	23,965	24,660	55,648	116,012	110,274	Quarterly	1.63	1.03
0-E	APPLE BANK	U.S.A.	US\$	1,434	4,333	11,785	12,146	27,850	57,548	54,679	Quarterly	1.63	1.04
0-E	US BANK	U.S.A.	US\$	18,736	56,103	148,775	147,517	395,140	766,271	662,236	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,821	17,586	47,475	32,482	82,323	185,687	159,780	Quarterly	3.25	3.25
0-E	NATIXIS	France	US\$	5,900	17,931	49,859	53,171	111,172	238,033	216,605	Quarterly	1.67	1.57
0-E	HSBC	U.S.A.	US\$	1,561	4,705	12,689	12,910	33,312	65,177	60,338	Quarterly	2.29	1.48
Other guaranteed obligations													
0-E	DVB BANK SE	U.S.A.	US\$	8,195	24,609	41,117	-	-	73,921	72,089	Quarterly	1.98	1.98
0-E	CREDIT AGRICOLE	U.S.A.	US\$	7,897	23,480	70,291	-	-	101,668	98,796	Quarterly	1.73	1.73
Financial leases													
0-E	ING	U.S.A.	US\$	9,105	27,470	62,117	35,932	16,158	150,782	134,167	Quarterly	4.79	4.29
0-E	CREDIT AGRICOLE	France	US\$	1,628	4,985	14,011	1,829	-	22,453	21,974	Quarterly	1.20	1.20
0-E	CITIBANK	U.S.A.	US\$	6,083	18,250	48,667	48,667	20,346	142,013	119,801	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	17,570	52,672	140,463	78,692	7,779	297,176	266,582	Quarterly	5.35	4.75
0-E	BNP PARIBAS	U.S.A.	US\$	8,030	24,204	65,310	40,163	1,816	139,523	127,755	Quarterly	4.61	4.12
0-E	WELLS FARGO	U.S.A.	US\$	5,601	16,792	44,716	44,627	51,966	163,702	143,656	Quarterly	3.98	3.53
0-E	DVB BANK S E	U.S.A.	US\$	4,695	14,121	37,912	-	-	56,728	55,000	Quarterly	1.89	1.89
0-E	BANC OF AMERICA	U.S.A.	US\$	1,148	2,109	3,288	-	-	6,545	6,240	Monthly	1.41	1.41
Other loans													
0-E	BOEING	U.S.A.	US\$	-	691	174,269	-	-	174,960	171,607	At expiration	1.74	1.74
0-E	CITIBANK (*)	U.S.A.	US\$	6,750	20,250	189,254	209,778	132,078	558,110	450,000	Quarterly	6.00	6.00
Hedging derivatives													
-	OTHERS	-	US\$	11,951	31,640	52,694	9,577	466	106,328	101,035	-	-	-
Non - hedging derivatives													
-	OTHERS	-	US\$	1,039	1,628	-	-	-	2,667	2,639	-	-	-
Total				376,821	976,868	2,046,576	1,424,295	2,312,070	7,136,630	6,492,927			

(\*) 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 September 30, 2014 (Unaudited)  
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	%
Bank loans													
0-E	BANCO DO BRASIL S.A.	Brazil	US\$	10,059	-	-	-	-	10,059	9,747	At Expiration	4.75	4.29
0-E	BANCO ITAU BBA	Brazil	US\$	5,288	-	-	-	-	5,288	5,045	At Expiration	6.00	4.50
0-E	BANCO SAFRA	Brazil	BRL	98	46	-	-	-	144	144	Monthly	7.42	7.42
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	184	493	1,315	1,315	1,533	4,840	3,903	Monthly	6.01	6.01
Obligation with the public													
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	32,701	64,290	493,787	148,647	902,825	1,642,250	1,100,000	At Expiration	7.70	6.42
Financial leases													
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,816	7,702	20,532	20,523	11,113	62,686	52,960	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,605	10,619	29,603	16,491	9,743	70,061	66,167	Monthly	1.42	1.42
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,942	14,163	47,782	11,015	11,018	88,920	85,089	Quarterly	1.42	1.42
0-E	CREDIT AGRICOLE -CIB	France	US\$	3,117	6,088	6,061	-	-	15,266	14,744	Quarterly/Semiannual	2.95	2.95
0-E	DVB BANK SE	Germany	US\$	3,281	12,682	-	-	-	15,963	15,625	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	208	608	917	-	-	1,733	1,689	Monthly	1.70	1.70
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,722	11,176	28,038	-	-	42,936	41,605	Monthly	1.25	1.25
0-E	KFW IPEX-BANK	Germany	US\$	4,501	13,254	26,773	19,220	11,416	75,164	70,976	Monthly/Quarterly	1.75	1.75
0-E	NATIXIS	France	US\$	5,151	14,971	39,574	39,004	100,666	199,366	176,544	Quarterly/Semiannual	3.66	3.66
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	3,573	10,403	40,018	19,635	31,327	104,956	97,929	Monthly	1.71	1.71
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	582	1,686	4,569	4,681	4,840	16,358	20,407	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	13,776	35,368	98,313	104,536	65,104	317,097	298,409	Quarterly	3.69	3.61
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	582	1,686	4,569	4,681	4,840	16,358	15,837	Quarterly	0.57	0.57
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	238	-	-	-	-	238	253	Monthly	11.42	11.42
0-E	BANCO IBM S.A	Brazil	BRL	379	1,196	3,708	506	-	5,789	4,481	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	299	898	1,796	-	-	2,993	2,652	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	636	-	-	-	-	636	647	Monthly	6.82	6.82
0-E	SOCIÉTÉ GÉNÉRALE	France	BRL	165	491	1,424	425	-	2,505	1,916	Monthly	11.32	11.32
Other loans													
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,648	13,988	-	-	-	45,636	45,636	Monthly	3.77	3.77
Total				131,551	221,808	848,779	390,679	1,154,425	2,747,242	2,132,405			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of September 30, 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 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	596,828	1,736	-	-	-	598,564	598,564	-	2.11	2.11
			US\$	1,107	3,325	-	-	-	4,432	4,214	Quarterly	-	-
			CLP	9,485	3	-	-	-	9,488	9,488	-	-	-
			BRL	337,391	-	-	-	-	337,391	337,391	-	-	-
			BRL	4,528	14,345	-	-	-	18,873	17,656	Monthly	11.48	11.48
			Others currencies	227,405	-	-	-	-	227,405	227,405	-	-	-
Accounts payable, non-current													
-	OTHERS	OTHERS	US\$	-	-	8,231	-	-	8,231	8,231	Quarterly	2.11	2.11
			BRL	-	-	44,495	55,301	208,791	308,587	161,542	Monthly	11.48	11.48
Accounts payable to related parties currents													
96.847.880-K	LUFTHANSA LAN TECHNICAL TRAINING S.A.	Chile	US\$	313	-	-	-	-	313	313	-	-	-
65.216.000-1	COMUNIDAD MUJER	Chile	CLP	3	-	-	-	-	3	3	-	-	-
78.591.370-1	BETHIA S.A. Y FILIALES	Chile	CLP	3	-	-	-	-	3	3	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	27	-	-	-	-	27	27	-	-	-
Total				1,177,090	19,409	52,726	55,301	208,791	1,513,317	1,364,837			
Total consolidated				1,685,462	1,218,085	2,948,081	1,870,275	3,675,286	11,397,189	9,990,169			

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

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS\$	More than 90 days to one year ThUS\$	More than one to three years ThUS\$	More than three to five years ThUS\$	More than five years ThUS\$	Total ThUS\$	Nominal value ThUS\$	Amortization	Effective rate %	Nominal rate %
Loans to exporters													
97.032.000-8	BBVA	Chile	US\$	-	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	ARS	785	15,861	-	-	-	16,646	15,335	Monthly	20.75	20.75
0-E	BBVA	Argentina	ARS	1,668	30,029	-	-	-	31,697	27,603	Monthly	23.78	23.78
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 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans													
0-E	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-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,546	10,405	28,944	21,867	15,758	80,520	75,352	Monthly	1.42	1.42
0-E	AWAS	U.S.A.	US\$	5,651	4,432	-	-	-	10,083	5,651	Monthly	-	-
0-E	BNP PARIBAS	U.S.A.	US\$	722	2,008	5,705	6,283	8,648	23,366	22,082	Quarterly	1.00	1.00
0-E	BNP PARIBAS	France	US\$	872	2,397	6,387	6,394	10,385	26,435	22,359	Quarterly	0.86	0.75
0-E	CITIBANK	England	US\$	7,059	20,021	48,442	50,209	109,870	235,601	222,590	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
-	OTHERS	Brazil	US\$	496	1,156	-	-	-	1,652	1,652	-	-	-
Total				307,757	675,858	687,845	854,676	1,532,565	4,058,701	3,282,121			

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

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS\$	More than 90 days to one year ThUS\$	More than one to three years ThUS\$	More than three to five years ThUS\$	More than five years ThUS\$	Total ThUS\$	Nominal value ThUS\$	Amortization	Effective rate %	Nominal rate %
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	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	193,189	8	-	-	-	193,197	193,197	-	-	-
			BRL	5,220	14,878	-	-	-	20,098	14,569	Monthly	8.99	8.99
			Others currencies	213,904	615	-	-	-	214,519	214,519	-	-	-
Accounts payable, non-current													
-	OTHERS	OTHERS	US\$	-	-	11,557	-	-	11,557	11,400	Quarterly	2.01	2.01
			BRL	-	-	42,743	54,907	199,200	296,850	124,481	Monthly	8.99	8.99
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			1,244,640	26,070	54,300	54,907	199,200	1,579,117	1,400,781			
	Total consolidated			2,106,085	1,462,423	2,744,615	2,385,755	4,376,097	13,074,975	11,388,262			

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 September 30, 2014, the Company had provided US\$ 68.4 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 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 2, 2014 a new long-term rating for the Company of BB with negative perspective (which is not an investment grade rating). Additionally, on June 10, 2013, S&P issued a long term rating of BB, with a positive outlook.



The leverage ratios as of September 30, 2014, and December 31, 2013, were as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Total financial loans	8,507,911	9,830,866
Last twelve months Operating lease payment x 8	4,148,256	3,528,616
Less:		
Cash and marketable securities	(1,233,007)	(2,561,574)
Total net adjusted debt	11,423,160	10,797,908
Net Equity	4,763,371	5,238,821
Cash flow hedging reserve	66,299	34,508
Adjusted equity	4,829,670	5,273,329
Total adjusted debt and equity	16,252,830	16,071,237
Adjusted leverage	70.3%	67.2%

See information related to financial covenants in Note 34 (a).

### 3.3. Estimates of fair value.

At September 30, 2014, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

#### 1. Hedge Instruments:

This category includes the following instruments:

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

#### 2. Financial Investments:

This category includes the following instruments:

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

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

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

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

As of September 30, 2014 (Unaudited)

	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\$
<b>Assets</b>				
Cash and cash equivalents	134,630	134,630	-	-
Short-term mutual funds	134,630	134,630	-	-
Other financial assets, current	490,162	465,125	25,037	-
Fair value of interest rate derivatives	1	-	1	-
Fair value of fuel derivatives	900	-	900	-
Fair value of foreign currency derivatives	5,878	-	5,878	-
Interest accrued since the last payment				
date of Cross Currency Swap	685	-	685	-
Private investment funds	457,087	457,087	-	-
Certificate of deposit CDB	17,573	-	17,573	-
Domestic and foreign bonds	5,144	5,144	-	-
Other investments	2,894	2,894	-	-
<b>Liabilities</b>				
Other financial liabilities, current	117,718	-	117,718	-
Fair value of interest rate derivatives	24,409	-	24,409	-
Fair value of fuel derivatives	43,899	-	43,899	-
Fair value of foreign currency derivatives	41,956	-	41,956	-
Interest accrued since the last payment				
date of Currency Swap	5,295	-	5,295	-
Interest rate derivatives not recognized				
as a hedge	2,159	-	2,159	-
Other financial liabilities, non current	33,956	-	33,956	-
Fair value of interest rate derivatives	33,956	-	33,956	-

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 September 30, 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 September 30, 2014		As of December 31, 2013	
	Book	Fair	Book	Fair
	value	value	value	value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Cash and cash equivalents	615,679	615,679	1,405,554	1,405,554
Cash on hand	11,476	11,476	6,017	6,017
Bank balance	223,163	223,163	229,935	229,935
Overnight	113,033	113,033	508,781	508,781
Time deposits	268,007	268,007	660,821	660,821
Other financial assets, current	35,555	35,555	84,858	84,858
Other financial assets	35,555	35,555	84,858	84,858
Trade and other accounts receivable current	1,712,607	1,712,607	1,633,094	1,633,094
Accounts receivable from related entities	385	385	628	628
Other financial assets, non current	67,592	67,592	65,289	65,289
Accounts receivable	41,045	41,045	100,775	100,775
Other financial liabilities, current	1,444,420	1,567,963	1,969,281	2,128,096
Trade and other accounts payables	1,632,289	1,632,289	1,557,736	1,557,736
Accounts payable to related entities	346	346	505	505
Other financial liabilities, non current	7,005,125	7,163,666	7,803,588	7,910,446
Accounts payable, non-current	781,415	781,415	922,887	922,887

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

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

#### NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

The management has applied judgment in determining that LATAM Airlines Group S.A. has control over TAM S.A. and Subsidiaries for accounting purposes and therefore has consolidated their financial statements. 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 LanPass and TAM Fidelidade, is a frequent flyer programs which operate as a unilateral system of loyalty that offers a flexible coalition system, interrelated among its members, with 13.3 million of members, along with being a government entity with a separately business and not directly related to air transport.



(a) For the 9 months ended

	Air transportation At September 30,		Coalition and loyalty program Multiplus At September 30,		Eliminations At September 30,		Consolidated At September 30,	
	<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 (*)	8,727,774	9,148,818	382,013	459,577	-	-	9,109,787	9,608,395
LAN passenger	3,354,163	3,497,045	-	-	-	-	3,354,163	3,497,045
TAM passenger	4,117,481	4,268,490	-	-	-	-	4,117,481	4,268,490
Freight	1,256,130	1,383,283	-	-	-	-	1,256,130	1,383,283
Income from ordinary activities from transactions with other operating segments	382,013	459,673	85,223	70,472	(467,236)	(530,145)	-	-
Other operating income	138,521	209,827	118,155	50,334	-	-	256,676	260,161
Interest income	25,202	37,827	43,394	21,486	-	(7,562)	68,596	51,751
Interest expense	(330,344)	(346,243)	(4)	(1,539)	-	7,562	(330,348)	(340,220)
Total net interest expense	(305,142)	(308,416)	43,390	19,947	-	-	(261,752)	(288,469)

(\*) The Company has no income from ordinary activities by interest.

For the 9 months ended

	Air transportation At September 30,		Coalition and loyalty program Multiplus At September 30,		Eliminations At September 30,		Consolidated At September 30,	
	<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							
Depreciation and amortization	(738,777)	(788,645)	(5,483)	(2,916)	-	-	(744,260)	(791,561)
Material non-cash items other than depreciation and amortization	(69,640)	(378,860)	(230)	73	-	-	(69,870)	(378,787)
Disposal of fixed assets and inventory losses	(11,946)	(14,182)	(282)	(101)	-	-	(12,228)	(14,283)
Doubtful accounts	(17,749)	(3,932)	67	182	-	-	(17,682)	(3,750)
Exchange differences	(39,929)	(360,884)	(15)	(8)	-	-	(39,944)	(360,892)
Result of indexation units	(16)	138	-	-	-	-	(16)	138
Segment profit / (loss)	(313,991)	(310,871)	105,919	75,879	-	-	(208,072)	(234,992)
Participation of the entity in the income of associates	(2,224)	995	(2,246)	-	-	-	(4,470)	995
Expenses for income tax	31,509	83,718	(56,294)	(37,974)	-	-	(24,785)	45,744
Assets of segment	18,955,549	21,841,270	1,850,640	513,465	(158,990)	(134,400)	20,647,199	22,220,335
Investments in associates	1,059	2,614	780	4,117	-	-	1,839	6,731
Amount of non-current asset additions	901,989	1,518,730	-	-	-	-	901,989	1,518,730
Property, plant and equipment	847,333	1,482,417	-	-	-	-	847,333	1,482,417
Intangibles other than goodwill	54,656	36,313	-	-	-	-	54,656	36,313
Segment liabilities	15,068,325	16,767,324	798,235	783,072	(81,865)	(96,065)	15,784,695	17,454,331
Purchase of non-monetary assets of segment	925,197	1,240,799	-	-	-	-	925,197	1,240,799

(b) For the 3 months ended

	Air transportation At September 30,		Coalition and loyalty program Multiplus At September 30,		Eliminations At September 30,		Consolidated At September 30,	
	<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 (*)	2,907,137	3,111,550	140,435	158,417	-	-	3,047,572	3,269,967
LAN passenger	1,151,082	1,245,013	-	-	-	-	1,151,082	1,245,013
TAM passenger	1,345,569	1,430,175	-	-	-	-	1,345,569	1,430,175
Freight	410,486	436,362	-	-	-	-	410,486	436,362
Income from ordinary activities from transactions with other operating segments	140,435	158,417	24,211	23,095	(164,646)	(181,512)	-	-
Other operating income	48,884	67,376	44,844	23,335	-	-	93,728	90,711
Interest income	7,852	5,974	15,495	10,015	-	(3,986)	23,347	12,003
Interest expense	(85,926)	(117,551)	(4)	(229)	-	3,986	(85,930)	(113,794)
Total net interest expense	(78,074)	(111,577)	15,491	9,786	-	-	(62,583)	(101,791)

(\*) The Company has no income from ordinary activities by interest.

For the 3 months ended

	Air transportation At September 30,		Coalition and loyalty program Multiplus At September 30,		Eliminations At September 30,		Consolidated At September 30,	
	<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							
Depreciation and amortization	(249,166)	(248,713)	(2,065)	(1,011)	-	-	(251,231)	(249,724)
Material non-cash items other than depreciation and amortization	(153,237)	(16,801)	(214)	909	-	-	(153,451)	(15,892)
Disposal of fixed assets and inventory losses	(3,184)	(2,548)	(210)	852	-	-	(3,394)	(1,696)
Doubtful accounts	(5,968)	(1,744)	1	84	-	-	(5,967)	(1,660)
Exchange differences	(144,088)	(12,672)	(5)	(27)	-	-	(144,093)	(12,699)
Result of indexation units	3	163	-	-	-	-	3	163
Segment profit / (loss)	(150,445)	29,925	42,616	22,168	-	-	(107,829)	52,093
Participation of the entity in the income of associates	(155)	469	(734)	-	-	-	(889)	469
Expenses for income tax	23,944	(38,328)	(19,838)	(13,750)	-	-	4,106	(52,078)
Assets of segment	18,955,549	21,841,270	1,850,640	513,465	(158,990)	(134,400)	20,647,199	22,220,335
Investments in associates	1,059	2,614	780	4,117	-	-	1,839	6,731
Amount of non-current asset additions	386,360	286,624	-	-	-	-	386,360	386,624
Property, plant and equipment	367,757	374,119	-	-	-	-	367,757	374,119
Intangibles other than goodwill	18,603	12,505	-	-	-	-	18,603	12,505
Segment liabilities	15,068,325	16,767,324	798,235	783,072	(81,865)	(96,065)	15,784,695	17,454,331
Purchase of non-monetary assets of segment	369,557	319,924	-	-	-	-	369,557	319,924

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

	For the 9 months ended		For the 3 months ended	
	At September 30,		At September 30,	
	2014	2013	2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Peru	484,562	469,386	176,383	177,037
Argentina	620,146	722,463	194,630	230,124
U.S.A.	944,287	962,269	299,536	324,199
Europe	702,403	687,634	225,514	235,696
Colombia	285,909	284,455	105,221	103,062
Brazil	4,047,081	4,246,708	1,472,609	1,336,356
Ecuador	181,228	209,588	62,436	70,992
Chile	1,190,567	1,262,375	402,477	419,010
Asia Pacific and rest of Latin America	653,604	763,517	108,766	373,491
Income from ordinary activities	9,109,787	9,608,395	3,047,572	3,269,967
Other operating income	256,676	260,161	93,728	90,711

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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Cash on hand	11,476	6,017
Bank balances	223,163	229,935
Overnight	113,033	508,781
Total Cash	347,672	744,733
Cash equivalents		
Time deposits	268,007	660,821
Mutual funds	134,630	579,349
Total cash equivalents	402,637	1,240,170
Total cash and cash equivalents	750,309	1,984,903

Cash and cash equivalents are denominated in the following currencies at September 30, 2014, and December 31, 2013:

Currency	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Argentine peso	41,722	59,018
Brazilian real	67,509	253,392
Chilean peso (*)	86,279	229,918
Colombian peso	22,670	28,132
Euro	20,745	16,571
US Dollar	385,843	1,200,828
Strong bolivar (**)	67,490	162,809
Other currencies	58,051	34,235
Total	750,309	1,984,903

(\*) The Company entered into currency derivative contracts (forward) at September 30, 2014 ThUS\$ 50,187 (ThUS\$ 174,020 as of December 31, 2013), for conversion into dollars of investments in pesos.

(\*\*) In Venezuela, effective 2003, the authorities decreed that all remittances abroad should be approved by the Currency Management Commission (CADIVI). Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela.

During 2014, in accordance with the acceptance of the Company about the proposal Bolivarian Republic of Venezuela regarding the repatriation of foreign exchange through the so-called “request of acquisition of foreign exchange”, the Company has modified the exchange rate used in determining equivalence of United States Dollar in cash and cash equivalents held in Strong Bolivar, from 6.3VEF/US\$ to 12 VEF/US\$, which represented a loss by foreign exchange, amounting to the sum of ThUS\$ 61,067.

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

Other inflows (outflows) of cash at September 30, 2014 and September 30, 2013 are detailed as follow:

	For the periods ended September 30,	
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Currency hedge	(5,477)	-
Fuel hedge	1,137	6,331
Hedging margin guarantees	27,900	75,473
Guarantees	(34,115)	(994)
Commodities fuel derivatives	(2,858)	(2,801)
Bank commissions, taxes paid and other	(16,613)	(7,872)
Total Other inflows (outflows) Operation flow	(30,026)	70,137
Certificate of bank deposits	(15,723)	77,338
Total Other inflows (outflows) Investment flow	(15,723)	77,338
Aircraft Financing advances	769	(4,375)
Credit card loan manager	19,951	126,886
Settlement of derivative contracts	(32,321)	(48,021)
Breakage	-	(13,353)
Other	(3,348)	479
Total Other inflows (outflows) Financing flow	(14,949)	61,616

## NOTE 7 - FINANCIAL INSTRUMENTS

## 7.1. Financial instruments by category

As of September 30, 2014 (Unaudited)

<u>Assets</u>	Loans and receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	615,679	-	-	134,630	750,309
Other financial assets, current (*)	35,555	7,464	5,144	477,554	525,717
Trade and others					
accounts receivable, current	1,712,607	-	-	-	1,712,607
Accounts receivable from related entities, current	385	-	-	-	385
Other financial assets, non current (*)	67,086	-	506	-	67,592
Accounts receivable, non current	41,045	-	-	-	41,045
Total	<u>2,472,357</u>	<u>7,464</u>	<u>5,650</u>	<u>612,184</u>	<u>3,097,655</u>

  

<u>Liabilities</u>	Other financial liabilities	Hedge derivatives	Held for trading	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current	1,444,420	115,559	2,159	1,562,138
Trade and others				
accounts payable, current	1,632,289	-	-	1,632,289
Accounts payable to related entities, current	346	-	-	346
Other financial liabilities, non-current	7,005,125	33,956	-	7,039,081
Accounts payable, non-current	781,415	-	-	781,415
Total	<u>10,863,595</u>	<u>149,515</u>	<u>2,159</u>	<u>11,015,269</u>

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



At December 31, 2013

<u>Assets</u>	Loans and receivables ThUS\$	Hedge derivatives ThUS\$	Held for trading ThUS\$	Initial designation as fair value through profit and loss	Total 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	<u>3,287,970</u>	<u>48,415</u>	<u>2,579</u>	<u>1,155,669</u>	<u>4,494,633</u>
<u>Liabilities</u>	Other financial liabilities ThUS\$	Hedge derivatives ThUS\$	Held for trading ThUS\$	Total 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	<u>12,253,997</u>	<u>121,372</u>	<u>5,531</u>	<u>12,380,900</u>	

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

## 7.2. Financial instruments by currency

a) Assets	As of	As of
	September 30,	December 31,
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Cash and cash equivalents	750,309	1,984,903
Argentine peso	41,722	59,018
Brazilian real	67,509	253,392
Chilean peso	86,279	229,918
Colombian peso	22,670	28,132
Euro	20,745	16,571
US Dollar	385,843	1,200,828
Strong bolivar	67,490	162,809
Other currencies	58,051	34,235
Other financial assets (current and non-current)	593,309	775,233
Argentine peso	7,273	1,007
Brazilian real	475,797	577,973
Chilean peso	26,907	27,555
Colombian peso	483	2,550
Euro	4,468	5,494
US Dollar	77,154	159,563
Strong bolivar	43	14
Other currencies	1,184	1,077
Trade and other accounts receivable, current	1,712,607	1,633,094
Argentine peso	107,430	27,343
Brazilian real	873,122	802,789
Chilean peso	80,787	82,880
Colombian peso	3,931	9,762
Euro	26,951	21,479
US Dollar	405,364	520,991
Strong bolivar	4,559	2,353
Other currencies (*)	210,463	165,497
Accounts receivable, non-current	41,045	100,775
Brazilian real	1,036	1,194
Chilean peso	6,775	8,624
US Dollar	33,038	90,755
Other currencies (*)	196	202
Accounts receivable from related entities, current	385	628
Brazilian real	58	162
Chilean peso	327	466
Total assets	3,097,655	4,494,633
Argentine peso	156,425	87,368
Brazilian real	1,417,522	1,635,510
Chilean peso	201,075	349,443
Colombian peso	27,084	40,444
Euro	52,164	43,544
US Dollar	901,399	1,972,137
Strong bolivar	72,092	165,176
Other currencies	269,894	201,011

(\*) See the composition of the others currencies in Note 8 Trade, other accounts receivable and non-current accounts receivable.

## b) Liabilities

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

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

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Trade accounts receivable	1,609,841	1,552,489
Other accounts receivable	219,654	251,982
Total trade and other accounts receivable	1,829,495	1,804,471
Less: Allowance for impairment loss	(75,843)	(70,602)
Total net trade and accounts receivable	1,753,652	1,733,869
Less: non-current portion – accounts receivable	(41,045)	(100,775)
Trade and other accounts receivable, current	1,712,607	1,633,094

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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Day	1,396,468	1,378,226
Matured accounts receivable, but not impaired		
Expired from 1 to 90 days	100,080	72,417
Expired from 91 to 180 days	13,994	11,547
More than 180 days overdue (*)	23,456	19,697
Total matured accounts receivable, but not impaired	137,530	103,661
Matured accounts receivable and impaired		
Judicial, pre-judicial collection and protested documents	29,055	19,630
Debtor under pre-judicial collection process and portfolio sensitization	46,788	50,972
Total matured accounts receivable and impaired	75,843	70,602
Total	1,609,841	1,552,489

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

Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable, at September 30, 2014 and December 31, 2013, are as follows:

<u>Currency</u>	As of September 30, 2014 ThUS\$	As of December 31, 2013 ThUS\$
	Unaudited	
Argentine Peso	107,430	27,343
Brazilian Real	874,158	803,983
Chilean Peso	87,562	91,504
Colombian peso	3,931	9,762
Euro	26,951	21,479
US Dollar	438,402	611,746
Strong bolivar	4,559	2,353
Other currency (*)	210,659	165,699
Total	<u>1,753,652</u>	<u>1,733,869</u>
(*) Other currencies		
Australian Dollar	21,592	26,198
Chinese Yuan	31,041	22,887
Danish krone	8,414	6,899
Pound Sterling	34,249	15,256
Indian rupee	1,760	5,343
Japanese Yen	8,819	10,332
Norwegian kroner	17,624	14,970
Swiss Franc	9,792	6,645
Korean Won	23,203	16,929
New Taiwanese Dollar	10,283	9,670
Other currencies	43,882	30,570
Total	<u>210,659</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 September 30, 2014 is as follows:

Periods	Opening balance ThUS\$	Write-offs ThUS\$	(Increase) Decrease ThUS\$	Closing balance ThUS\$
From January 1 to September 30, 2013	(75,503)	4,243	(5,459)	(76,719)
From October 1 to December 31, 2013	(76,719)	5,685	432	(70,602)
From January 1 to September 30, 2014	(70,602)	2,398	(7,639)	(75,843)

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 September 30, 2014			As of December 31, 2013		
	Gross exposure according to balance ThUS\$	Gross impaired exposure ThUS\$	Exposure net of risk concentrations ThUS\$	Gross exposure according to balance ThUS\$	Gross Impaired exposure ThUS\$	Exposure net of risk concentrations ThUS\$
	Unaudited					
Trade accounts receivable	1,609,841	(75,843)	1,533,998	1,552,489	(70,602)	1,481,887
Other accounts receivable	219,654	-	219,654	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 September 30, 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>	<u>Currency</u>	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$ Unaudited
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	CLP	1	-
78.591.370-1	Bethia S.A. and Subsidiaries	Others related parties	Chile	CLP	288	441
79.773.440-1	Transportes San Felipe S.A.	Others related parties	Chile	CLP	1	1
87.752.000-5	Granja Marina Tornagaleones S.A.	Others related parties	Chile	CLP	37	24
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Others related parties	Brazil	BRL	-	2
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Others related parties	Brazil	BRL	-	14
Foreign	Prisma Fidelidade S.A.	Joint Venture	Brazil	BRL	58	146
Total current assets					<u>385</u>	<u>628</u>

## (b) Accounts payable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	<u>Currency</u>	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$ Unaudited
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	US\$	313	187
65.216.000-K	Comunidad Mujer	Other related parties	Chile	CLP	3	-
78.591.370-1	Bethia S.A. and Subsidiaries	Other related parties	Chile	CLP	3	14
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	US\$	27	304
Total current liabilities					<u>346</u>	<u>505</u>

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

## NOTE 10 -INVENTORIES

The Inventories as of September 30, 2014 and December 31, 2013 respectively, are detailed below:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Technical stock	223,822	190,202
Non-technical stock	40,714	40,826
Total production suppliers	<u>264,536</u>	<u>231,028</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 September 30, 2014 amounts to ThUS\$ 2,136 (ThUS\$ 1,757 as of December 31, 2013). The resulting amounts do not exceed the respective net realizable values.

As of September 30, 2014, the Company recorded ThUS\$ 133,529 (ThUS\$ 121,800 as of September 30, 2013) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of sales.

## NOTE 11 - CURRENT TAXES

The composition of Tax assets is as follows:

	As of September 30, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Provisional monthly payments (advance)	66,018	61,570
Other credits recovery	34,862	20,320
Total current assets	<u>100,880</u>	<u>81,890</u>

The composition of Tax liabilities is as follows:

	As of September 30, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Current		
Income tax provision	14,716	9,919
Additional tax provision	1,071	1,664
Total current liabilities	<u>15,787</u>	<u>11,583</u>



## NOTE 12 - OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

	Current Assets		Non-current assets		Total Assets	
	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
(a) Other financial assets						
Private investment funds	457,087	544,182	-	-	457,087	544,182
Deposits in guarantee (aircraft)	32,337	51,879	52,683	49,893	85,020	101,772
Certificate of deposit (CBD)	17,573	2,374	-	-	17,573	2,374
Time deposits	-	28,181	-	-	-	28,181
Guarantees for margins of derivatives	322	28,157	-	-	322	28,157
Deposits in guarantee (loan)	-	-	11,356	11,753	11,356	11,753
Other investments	2,894	1,583	506	506	3,400	2,089
Domestic and foreign bonds	5,144	351	-	-	5,144	351
Other guarantees given	2,896	4,822	3,047	3,137	5,943	7,959
Subtotal of other financial assets	518,253	661,529	67,592	65,289	585,845	726,818
(b) Hedging assets						
Interest accrued since the last payment date of Cross currency swap	685	483	-	-	685	483
Fair value of interest rate derivatives	1	6	-	-	1	6
Fair value of foreign currency derivatives (1)	5,878	32,058	-	-	5,878	32,058
Fair value of fuel price derivatives	900	15,868	-	-	900	15,868
Subtotal of hedging assets	7,464	48,415	-	-	7,464	48,415
Total Other Financial Assets	525,717	709,944	67,592	65,289	593,309	775,233

(1) The foreign currency derivatives exchange is collars and cross currency swap.

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

## NOTE 13 - OTHER NON-FINANCIAL ASSETS

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

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
(a) Advance payments	67,531	56,392
(b) Other assets	171,514	279,225
Total current	<u>239,045</u>	<u>335,617</u>
Non-Current		
(a) Advance payments	90,535	55,889
(b) Other assets	264,273	216,387
Total non-current	<u>354,808</u>	<u>272,276</u>

## (a) Advance payments

Advance payments as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Aircraft leases	30,036	28,555
Aircraft insurance and other	19,672	13,180
Others	17,823	14,657
Total current	<u>67,531</u>	<u>56,392</u>
Non-Current		
Aircraft leases	55,541	17,332
Others	34,994	38,557
Total non-current	<u>90,535</u>	<u>55,889</u>
Total advance payments	<u>158,066</u>	<u>112,281</u>

## (b) Other assets

Other assets as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Aircraft maintenance reserve (*)	22,602	152,797
Sales tax	136,727	120,215
Others taxes	9,315	5,556
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	627	657
Others	2,243	-
Total current	<u>171,514</u>	<u>279,225</u>
Non-current		
Aircraft maintenance reserve (*)	114,263	79,012
Judicial deposits	79,967	70,380
Sales tax	68,500	65,936
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	515	515
Others	1,028	544
Total non-current	<u>264,273</u>	<u>216,387</u>
Total other assets	<u>435,787</u>	<u>495,612</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 (8 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 September 30, 2014, LATAM had ThUS\$ 136,865 in maintenance reserves (ThUS\$ 231,809 at December 31, 2013), corresponding to 16 aircraft out of a total fleet of 324 (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 or disposal groups held for sale as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Aircraft	418	438
Rotables	43	1,362
Inventories on consignment	-	8
Engines	272	272
Scrapped aircraft	<u>365</u>	<u>365</u>
Total	<u><u>1,098</u></u>	<u><u>2,445</u></u>

During 2014 rotables sales were made.

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 September 30, 2014.

## NOTE 15 - INVESTMENTS IN SUBSIDIARIES

## (a) Investments in subsidiaries

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

The detail of significant subsidiaries and summarized financial information at September 30, 2014 and December 31, 2013 is presented below:

## Significant subsidiaries detailed as of September 30, 2014 (Unaudited)

Name of significant subsidiary	Country of incorporation	Functional currency	% Ownership
Lan Perú S.A.	Peru	US\$	69.97858
Lan Cargo S.A.	Chile	US\$	99.89803
Lan Argentina S.A.	Argentina	ARS	94.99055
Transporte Aéreo S.A.	Chile	US\$	99.89804
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US\$	100.00000
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.01646
TAM S.A.	Brazil	BRL	99.99938

Without significant restrictions for transferring funds to controller

## Significant subsidiaries detailed as of December 31, 2013

Name of significant subsidiary	Country of incorporation	Functional currency	% Ownership
Lan Perú S.A.	Peru	US\$	69.97858
Lan Cargo S.A.	Chile	US\$	99.89803
Lan Argentina S.A.	Argentina	ARS	94.99055
Transporte Aéreo S.A.	Chile	US\$	99.89804
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US\$	71.94990
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.01646
TAM S.A.	Brazil	BRL	99.99938

Without significant restrictions for transferring funds to controller

## Summary financial information of significant subsidiaries

Name of significant subsidiary	Statement of financial position as of September 30, 2014						Results for the period ended September 30, 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.	264,614	238,505	26,109	254,699	253,043	1,656	840,740	(102)
Lan Cargo S.A.	671,957	346,709	325,248	360,579	227,815	132,764	204,867	(39,795)
Lan Argentina S.A.	233,019	199,572	33,447	253,088	250,635	2,453	323,258	(22,624)
Transporte Aéreo S.A.	335,749	46,188	289,561	117,840	34,644	83,196	268,861	(11,366)
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	91,392	58,066	33,326	86,914	82,496	4,418	189,897	(16,147)
Aerovías de Integración Regional, AIRE S.A.	132,854	42,320	90,534	53,893	46,421	7,472	304,338	(68,192)
TAM S.A. (*)	7,548,300	2,218,607	5,329,693	6,578,247	2,597,323	3,980,924	5,031,711	57,708

  

Name of significant subsidiary	Statement of financial position as of December 31, 2013						Results for the period ended September 30, 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	319,306	(7,727)
Lan Cargo S.A.	772,640	360,733	411,907	413,527	233,363	180,164	73,629	1,183
Lan Argentina S.A.	214,426	192,590	21,836	205,672	203,567	2,105	125,655	(7,694)
Transporte Aéreo S.A.	359,693	69,459	290,234	120,399	37,049	83,350	96,636	9,510
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	94,160	58,867	35,293	93,535	89,802	3,733	89,469	(22,666)
Aerovías de Integración Regional, AIRE S.A.	188,518	69,591	118,927	36,009	24,936	11,073	90,091	(55,993)
TAM S.A. (*)	8,695,458	2,372,047	6,323,411	7,983,671	3,249,581	4,734,090	5,021,902	(408,050)

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

## (b) Non-controlling interest

Equity	Tax No.	Country of origin	As of	As of	As of	As of
			September 30,	December 31,	September 30,	December 31,
			2014	2013	2014	2013
			%	%	ThUS\$	ThUS\$
			Unaudited		Unaudited	
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	2,975	3,423
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	508	591
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.29000	0.29000	19	19
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	1,082	1,315
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	0-E	Ecuador	0.00000	28.05000	-	(14,688)
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	1,650	966
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	201	221
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	3	1
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	4	8
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(1,158)	660
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	0.98307	(352)	370
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	968	1,695
Multiplus S.A.	0-E	Brazil	27.20000	27.15000	93,233	93,057
Total					99,133	87,638

  

Incomes	Tax No.	Country of origin	As of	As of	For the 9 months ended		For the 3 months ended	
			September 30,	September 30,	September 30,		September 30,	
			2014	2013	2014	2013	2014	2013
			%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$
			Unaudited					
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	(31)	(2,318)	3,837	3,179
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	(66)	133	(31)	(8)
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.29000	0.29000	(1)	-	(2)	(3)
Promotora Aerea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	(247)	(505)	59	21
Aerolinhas Brasileiras S.A. and Subsidiaries	0-E	Brasil	0.00000	26.70000	-	(5,647)	-	(6,793)
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	0-E	Ecuador	0.00000	28.05000	(5,758)	(6,358)	63	646
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	200	133	67	56
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	44	36	15	12
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	2	-	2	-
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	4	-	1	-
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(828)	89	(119)	176
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	1.02665	(670)	(577)	(346)	(245)
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	(111)	280	(142)	100
Multiplus S.A.	0-E	Brazil	27.20000	27.13000	28,790	20,573	11,592	5,976
Total					21,328	5,839	14,996	3,117

## NOTE 16 - EQUITY ACCOUNTED INVESTMENTS

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

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
(a) Associates	1,059	3,572
(b) Joint Ventures	780	3,024
Equity accounted investments	<u>1,839</u>	<u>6,596</u>

## (a) Associates

The following summarized financial information is the sum of the financial statements of the investees, corresponding to the statements of financial position as of September 30, 2014 and December 31, 2013, and the statements of income, for the periods ended at September 30, 2014, and September 30, 2013.

As of September 30, 2014 (Unaudited)

	Assets ThUS\$	Liabilities ThUS\$
Current	2,272	753
Non-current	<u>245</u>	<u>109</u>
Total	<u>2,517</u>	<u>862</u>

As of December 31, 2013

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

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2014 ThUS\$	2013 ThUS\$	2014 ThUS\$	2013 ThUS\$
	<u>Unaudited</u>			
Total operating revenues	2,365	2,229	1,148	1,080
Total expenses	(2,038)	(1,773)	(822)	(658)
Sum of net income	<u>327</u>	<u>456</u>	<u>326</u>	<u>422</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 half of 2014.

<u>Company</u>	<u>Country of incorporation</u>	<u>Functional currency</u>	<u>Percentage of ownership</u>		<u>Cost of investment</u>	
			As of	As of	As of	As of
			September 30,	December 31,	September 30,	December 31,
			<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
			%	%	ThUS\$	ThUS\$
			Unaudited		Unaudited	
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 September 30, 2014 is as follows:

	ThUS\$
Opening balance as of January 1, 2013	1,619
Participation in profits (losses)	233
Other increases, investments in associated entities	762
Total changes in investments in associated entities	995
Closing balance as of September 30, 2013 (Unaudited)	2,614
Opening balance as of October 1, 2013	2,614
Participation in profits (losses)	108
Other increases, investments in associated entities	850
Total changes in investments in associated entities	958
Closing balance as of December 31, 2013	3,572
Opening balance as of January 1, 2014	3,572
Participation in profits (losses)	135
Dividends received	(290)
Other increases, investments in associated entities	(2,358)
Total changes in investments in associated entities	(2,513)
Closing balance as of September 30, 2014 (Unaudited)	1,059

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 September 30, 2014 is as follows:

	<u>ThUS\$</u>
Opening balance as of January 1, 2013	2,138
Future advance capital increase	4,977
Equity accounted earnings	(2,910)
Differences by subsidiaries conversion	(88)
Closing balance at September 30, 2013 (Unaudited)	<u>4,117</u>
Opening balance as of October 1, 2013	4,117
Equity accounted earnings	(923)
Differences by subsidiaries conversion	(170)
Closing balance at December 31, 2013	<u>3,024</u>
Opening balance as of January 1, 2014	3,024
Equity accounted earnings	(2,252)
Differences by subsidiaries conversion	8
Closing balance at September 30, 2014 (Unaudited)	<u>780</u>

The company Prismah Fidelidade S.A. as of September 30, 2014, has the following items:

	As of September 30, <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	780	3,024
Current assets	1,310	6,985
Non-current assets	1,479	1,481
Current liabilities	1,217	2,418
	For the periods ended September 30,	
	<u>2014</u> <u>ThUS\$</u>	<u>2013</u> <u>ThUS\$</u>
	<u>Unaudited</u>	
Result of the period	(4,504)	(5,819)
Equity accounted earnings	(2,252)	(2,910)
Revenues in the period	516	414
Expense in the period	(5,020)	(6,233)

## NOTE 17 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

<u>Classes of intangible assets (net)</u>	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Computer software	133,091	143,124
Developing software	62,652	46,075
Airport slots	1,301,579	1,361,807
Loyalty program	433,832	453,907
Trademarks	84,408	88,314
Other assets	-	81
Total	<u>2,015,562</u>	<u>2,093,308</u>

<u>Classes of intangible assets (gross)</u>	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Computer software	306,335	278,721
Developing software	62,652	46,075
Airport slots	1,301,579	1,361,807
Loyalty program	433,832	453,907
Trademarks	84,408	88,314
Other assets	808	808
Total	<u>2,189,614</u>	<u>2,229,632</u>

The movement in Intangible assets other than goodwill between January 1, 2013 and September 30, 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	5,303	31,010	-	-	-	36,313
Withdrawals	(135)	(1,954)	-	-	-	(2,089)
Transfer software	27,203	(29,928)	-	-	-	(2,725)
Difference by subsidiaries conversion	(4,060)	(3,206)	(130,561)	(51,985)	(48)	(189,860)
Amortization	(42,959)	-	-	-	(121)	(43,080)
Closing balance as of September 30, 2013 (Unaudited)	129,596	50,557	1,430,569	569,599	637	2,180,958
Opening balance as of October 1, 2013	129,596	50,557	1,430,569	569,599	637	2,180,958
Additions	9,400	16,189	-	-	-	25,589
Withdrawals	(332)	(21)	-	-	-	(353)
Transfer software	19,241	(18,962)	-	-	(492)	(213)
Differences by subsidiaries conversion	(1,482)	(1,688)	(68,762)	(27,378)	(24)	(99,334)
Amortization	(13,299)	-	-	-	(40)	(13,339)
Closing balance as of December 31, 2013	143,124	46,075	1,361,807	542,221	81	2,093,308
Opening balance as of January 1, 2014	143,124	46,075	1,361,807	542,221	81	2,093,308
Additions	12,562	42,094	-	-	-	54,656
Withdrawals	(1,214)	(2,669)	-	-	-	(3,883)
Transfer software	18,732	(21,036)	-	-	-	(2,304)
Differences by subsidiaries conversion	(2,466)	(1,812)	(60,228)	(23,981)	-	(88,487)
Amortization	(37,647)	-	-	-	(81)	(37,728)
Closing balance as of September 30, 2014 (Unaudited)	133,091	62,652	1,301,579	518,240	-	2,015,562

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 September 30, 2014 amounts to ThUS\$ 173,244 (ThUS\$ 135,597 as of December 31, 2013). The accumulated amortization of other identifiable intangible assets as of September 30, 2014 amounts to ThUS\$ 808 (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 September 30, 2014 amounted to ThUS\$ 3,565,196 (ThUS\$ 3,727,605 as of 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 impairment.

The movement of Goodwill from January 1, 2013 to September 30, 2014, is as follows:

	Air Transport	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	(274,780)	(71,192)	(345,972)
Closing balance as of September 30, 2013 (Unaudited)	<u>3,087,126</u>	<u>780,062</u>	<u>3,867,188</u>
Opening balance as of October 1, 2013	3,087,126	780,062	3,867,188
Others	44,860	-	44,860
Increase (decrease) due to exchange rate differences	(146,949)	(37,494)	(184,443)
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	(129,567)	(32,842)	(162,409)
Closing balance as of September 30, 2014 (Unaudited)	<u>2,855,470</u>	<u>709,726</u>	<u>3,565,196</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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Construction in progress	923,476	858,650	-	-	923,476	858,650
Land	57,552	59,352	-	-	57,552	59,352
Buildings	252,495	247,263	(82,617)	(75,478)	169,878	171,785
Plant and equipment	8,382,590	8,461,456	(1,740,073)	(1,708,668)	6,642,517	6,752,788
Own aircraft	7,282,477	7,409,394	(1,365,549)	(1,347,671)	5,916,928	6,061,723
Other	1,100,113	1,052,062	(374,524)	(360,997)	725,589	691,065
Machinery	79,402	73,561	(43,875)	(41,509)	35,527	32,052
Information technology equipment	196,040	182,108	(144,825)	(135,889)	51,215	46,219
Fixed installations and accessories	99,983	97,212	(52,251)	(46,620)	47,732	50,592
Motor vehicles	82,444	75,150	(54,051)	(51,128)	28,393	24,022
Leasehold improvements	139,057	88,641	(80,895)	(71,872)	58,162	16,769
Other property, plants and equipment	4,623,685	4,791,236	(2,032,126)	(1,820,679)	2,591,559	2,970,557
Financial leasing aircraft	4,449,233	4,618,127	(1,989,464)	(1,777,980)	2,459,769	2,840,147
Other	174,452	173,109	(42,662)	(42,699)	131,790	130,410
Total	14,836,724	14,934,629	(4,230,713)	(3,951,843)	10,606,011	10,982,786



The movement in the different categories of Property, plant and equipment from January 1, 2013 to September 30, 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	13,042	-	10,154	1,400,176	16,604	5,953	288	-	36,200	1,482,417
Disposals	-	-	-	(118,295)	(31)	-	(73)	-	(644,637)	(763,036)
Retirements	(466)	-	(55)	(47,693)	(257)	(15)	(10)	-	(14,298)	(62,794)
Depreciation expenses	-	-	(8,880)	(343,874)	(10,264)	(6,134)	(235)	(6,302)	(257,565)	(633,254)
Conversion difference subsidiaries	(39,280)	(3,901)	(7,375)	(48,539)	(2,106)	(995)	(263)	-	(230,348)	(332,807)
Other increases (decreases)	(251,720)	-	8,745	(300,298)	1,196	6,784	(2,615)	1,337	281,416	(255,155)
Changes, total	(278,424)	(3,901)	2,589	541,477	5,142	5,593	(2,908)	(4,965)	(829,232)	(564,629)
Closing balance as of September 30, 2013 (Unaudited)	874,579	61,406	177,659	6,901,592	45,605	47,936	1,814	16,763	3,115,093	11,242,447

(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 October 1, 2013	874,579	61,406	177,659	6,901,592	45,605	47,936	1,814	16,763	3,115,093	11,242,447
Additions	4,689	-	1,644	155,491	5,542	1,710	14	-	33,503	202,593
Disposals	-	-	-	(23,034)	-	-	(88)	-	-	(23,122)
Retirements	(149)	-	(375)	(17,458)	(13)	-	-	(219)	(5,418)	(23,632)
Depreciation expenses	-	-	(2,889)	(102,628)	(3,868)	(2,758)	(77)	(5,979)	(79,021)	(197,220)
Conversion difference subsidiaries	(14,172)	(2,054)	(5,039)	(22,474)	(1,269)	(532)	(23)	-	(90,390)	(135,953)
Other increases (decreases)	(6,297)	-	785	(84,371)	222	4,236	104	6,204	(3,210)	(82,327)
Changes, total	(15,929)	(2,054)	(5,874)	(94,474)	614	2,656	(70)	6	(144,536)	(259,661)
Closing balance as of December 31, 2013	858,650	59,352	171,785	6,807,118	46,219	50,592	1,744	16,769	2,970,557	10,982,786

(c) As of September 30, 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	17,612	-	10,720	681,503	17,400	1,802	1,468	-	116,828	847,333
Disposals	-	-	-	(570,917) (*)	(40)	-	-	-	(328)	(571,285)
Retirements	(310)	-	(142)	(20,323)	(181)	(223)	(53)	(2,874)	(31,246)	(55,352)
Depreciation expenses	-	-	(10,340)	(319,890)	(12,494)	(6,709)	(375)	(14,664)	(224,926)	(589,398)
Conversion difference subsidiaries	1,314	(1,800)	(4,912)	(23,118)	(1,639)	(942)	(100)	-	(31,855)	(63,052)
Other increases (decreases)	46,210	-	2,767	149,346	1,950	3,212	34	58,931	(207,471)	54,979
Changes, total	64,826	(1,800)	(1,907)	(103,399)	4,996	(2,860)	974	41,393	(378,998)	(376,775)
Closing balance as of September 30, 2014 (Unaudited)	923,476	57,552	169,878	6,703,719	51,215	47,732	2,718	58,162	2,591,559	10,606,011

(\*) During the first half of 2014 four Boeing 777-300ER aircraft were sold and subsequently leased.

## (d) Composition of the fleet

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

Aircraft	Model	As of September 30, 2014	As of December 31, 2013
		Unaudited	
Boeing 767	300	-	3
Boeing 767	300ER	34	34
Boeing 767	300F	8	8
Boeing 777	300ER	4	8
Boeing 777	Freighter	2	2
Boeing 787	800	5	3
Airbus A319	100	39	39
Airbus A320	200	95	95
Airbus A321	200	13	9
Airbus A330	200	8	8
Airbus A340	500	-	2
Total		208	211

Operating leases:

Aircraft	Model	As of September 30, 2014	As of December 31, 2013
		Unaudited	
Boeing 767	300ER	5	6
Boeing 767	300F	3	4
Boeing 777	300ER	6	2
Boeing 777	Freighter	2	2
Boeing 787	800	4	2
Airbus A319	100	13	15
Airbus A320	200	65	65
Airbus A321	200	3	1
Airbus A330	200	5	12
Airbus A340	300	3	4
Boeing 737	700	-	5
Bombardier	Dhc8-200	7	7
Bombardier	Dhc8-400	-	3
Total		116	128
Total fleet		324	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.

(\*\*) 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\$ 589,398 (ThUS\$ 633,254 at September 30, 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 September 30, 2014, were added direct guarantees by four Airbus A321-200 aircraft. Additionally, as a result of fleet transfer plan from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company added direct guarantees associated with three Airbus A319-100 aircraft, thirteen Airbus A320-200 aircraft and seven Airbus A321-200 aircraft.

Moreover, the Company sold its interest in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC and Tricahue Leasing LLC. Products of the above direct guarantees associated with seven Boeing 767-300 aircraft were removed.

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

## Description of Property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of September 30, 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	1,025,615	1,301,699	1,437,810	1,827,349
		Boeing 777 / 787	387,433	446,777	777,796	880,470
Banco Santander S.A.	Aircraft and engines	Airbus A319	68,254	101,390	74,042	105,353
		Airbus A320	599,859	794,388	643,945	829,185
		Airbus A321	40,579	46,060	43,071	49,208
BNP Paribas	Aircraft and engines	Airbus A319	214,300	289,923	209,993	281,846
		Airbus A320	204,942	263,882	199,114	257,857
Credit Agricole	Aircraft and engines	Airbus A319	60,176	126,961	32,251	99,241
		Airbus A320	131,580	196,379	96,774	153,531
		Airbus A321	62,665	101,347	-	-
JP Morgan	Aircraft and engines	Boeing 777	242,952	284,385	259,272	292,486
Wells Fargo	Aircraft and engines	Airbus A320	312,478	366,494	331,854	384,273
Bank of Utah	Aircraft and engines	Airbus A320	263,911	331,872	277,622	347,765
DVB Bank SE	Aircraft and engines	Boeing 767	-	-	95,292	151,824
Natixis	Aircraft and engines	Airbus A320	15,586	17,603	-	-
		Airbus A321	201,017	259,269	-	-
Citibank N. A.	Aircraft and engines	Airbus A320	147,134	179,550	-	-
		Airbus A321	57,390	75,873	-	-
HSBC	Aircraft and engines	Airbus A320	60,337	66,735	-	-
Total direct guarantee			4,096,208	5,250,587	4,478,836	5,660,388

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 September 30, 2014 amounted to ThUS\$ 1,733,128 (ThUS\$ 2,167,470 at December 31, 2013). The book value of assets with indirect guarantees as of September 30, 2014 amounts to ThUS\$ 2,453,506 (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 September 30, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Gross book value of fully depreciated property, plant and equipment still in use	143,476	160,116
Commitments for the acquisition of aircraft (*)	22,100,000	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. In July 2014 the cancellation of 4 Airbus A320 was signed and changing 12 Airbus A320 aircraft for 12 Airbus A320 NEO aircraft.

With regards to the above, as of September 30, 2014, and as a result of different aircraft purchase contracts signed with Airbus S.A.S., there remain 51 Airbus aircraft of the A320 family to be delivered between 2014 and 2020. The approximate amount is ThUS\$ 4,800,000, 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 September 30, 2014, and as a result of different aircraft purchase contracts signed with The Boeing Company, remain to receive a total of 17 787 Dreamliner aircraft, with delivery dates between 2014 and 2018. The approximate amount, according to the manufacturer's price list, is ThUS\$ 3,500,000. 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 September 30, 2014, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., remain to receive 51 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 September 30, 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\$ 13,800,000, according to the manufacturers price list.

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

		For the periods ended	
		September 30,	
		2014	2013
		Unaudited	
Average rate of capitalization of			
capitalized interest costs	%	3.38	3.48
Costs of capitalized interest	ThUS\$	15,464	23,837



## (iv) Financial leases

The detail of the main financial leases is as follows:

<u>Lessor</u>	<u>Aircraft</u>	<u>Model</u>	As of September 30,	As of December 31,
			<u>2014</u> Unaudited	<u>2013</u>
Agonandra Statutory Trust	Airbus A319	100	4	4
Agonandra Statutory Trust	Airbus A320	200	2	2
Air Canada	Airbus A340	500	-	2
AWMS I (AWAS)	Boeing 767	300	-	3
Becacina Leasing LLC	Boeing 767	300ER	1	-
Caiquen Leasing LLC	Boeing 767	300F	1	1
Cemicalo Leasing LLC	Boeing 767	300F	2	2
Chirihue Leasing Trust	Boeing 767	300F	2	2
Cisne Leasing LLC	Boeing 767	300ER	2	-
Codorniz Leasing Limited	Airbus A319	100	2	2
Conure Leasing Limited	Airbus A320	200	2	2
Flamenco Leasing LLC	Boeing 767	300ER	1	-
FLYAFI 1 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 2 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 3 S.R.L.	Boeing 777	300ER	1	1
Forderum Holding B.V. (GECAS)	Airbus A320	200	2	2
Garza Leasing LLC	Boeing 767	300ER	1	1
General Electric Capital Corporation	Airbus A330	200	3	3
Intraelo BETA 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	11	12
TMF Interlease Aviation B.V.	Airbus A330	200	1	1
TMF Interlease Aviation II B.V.	Airbus A319	100	5	5
TMF Interlease Aviation II B.V.	Airbus A320	200	2	2
TMF Interlease Aviation III B.V.	Airbus A319	100	-	3
TMF Interlease Aviation III B.V.	Airbus A320	200	-	12
TMF Interlease Aviation III B.V.	Airbus A321	200	-	7
Tricahue Leasing LLC	Boeing 767	300ER	3	-
Wacapou Leasing S.A	Airbus A320	200	1	1
Wells Fargo Bank North National Association (ILFC)	Airbus A330	200	-	1
Total			<u>77</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 September 30, 2014 the Company had seventy seven 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.

During the third quarter of 2014 the option was exercised to purchase one A330-200. Therefore, this aircraft was reclassified from the Other property plant and equipment category to the category Plant and equipment.

For other hand, as a result of fleet transfer plan from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company decreases its number of aircraft on lease by three Airbus A319-100 aircraft, thirteen Airbus A320-200 and seven Airbus A321-200 aircraft as a result of modifications in its financial contracts. Therefore, these aircraft were reclassified from the Other property plant and equipment category to the category Plant and equipment.

Additionally, as a result of the leasing contracts had ended; the Company decreases its number of aircraft on lease by three Boeing 767-300 aircraft and two Airbus A340-500 aircraft. These aircraft were on operative leasing agreement, but according to the stated policy were classified as financial leasing.

The book value of assets under financial leases as of September 30, 2014 amounts to ThUS\$ 2,459,769 (ThUS\$ 2,840,147 as of December 31, 2013).

The minimum payments under financial leases are as follows:

As of September 30, 2014 (Unaudited)

	Gross Value	Interest	Present Value
	ThUS\$	ThUS\$	ThUS\$
No later than one year	401,352	(52,415)	348,937
Between one and five years	1,246,983	(110,810)	1,136,173
Over five years	356,838	(9,842)	346,996
Total	2,005,173	(173,067)	1,832,106

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	633,120	(19,562)	613,558
Total	2,501,661	(192,189)	2,309,472

## NOTE 20 - CURRENT AND DEFERRED TAXES

In the period ended at September 30, 2014, was calculated and recognized the income tax provision at the rate of 21% for the business year 2014, in accordance with the Law No. 20,780, Tax Reform published in the Official Journal of the Republic of Chile on September 29, 2014.

Among the main changes, is the progressive increase of the First Category Tax, reaching 27%, from 2018, in the event that the "Partially Integrated Taxation System" is applied. In the case of opt for the "Attributed Income Taxation System" the top rate would reach 25% from 2017.

The previously mentioned Law establishes that as LATAM Airlines Group S.A. is a public company, is applied as a general rule "Partially Integrated Taxation System"(\*), unless a future Extraordinary Meeting of Shareholders of the Company agreed, for a minimum of 2/3 of this, choose "Attributed Income Taxation System"(\*) which maximum period is the *last* quarter of 2016.

The effects of the updating of deferred tax assets and liabilities according to rates changes introduced by Law No. 20,780 depending on their period back have been recorded in equity in accordance with the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014. This resulted in an increase in deferred tax assets of ThUS\$ 87 and an increase in deferred tax liabilities of ThUS\$ 145,253 and an increase in equity by deferred tax of ThUS\$ 5,044.

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

(\*) The Partially Integrated Taxation System is one of the tax regimes approved through the Tax Reform previously mentioned, which is based on the taxation by the perception of profits and the Attributed Income Taxation System is based on the taxation by the accrual of profits.

The balances of deferred taxes are as follows:

Concept	Assets		Liabilities	
	As of	As of	As of	As of
	September 30,	December 31,	September 30,	December 31,
	2014	2013	2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited		Unaudited	
Depreciation	(18,250)	(17,152)	840,311	557,845
Leased assets	(146,922)	(147,074)	75,970	46,688
Amortization	(18,550)	(10,778)	139,583	113,579
Provisions	276,664	317,883	(105,410)	(207,358)
Revaluation of financial instruments	367	562	(14,515)	(15,508)
Tax losses	293,255	267,189	(630,961)	(284,339)
Revaluation property, plant and equipment	5,966	-	(435)	(18,544)
Intangibles	-	-	567,084	593,325
Others	8,039	(7,668)	(4,434)	(18,460)
Total	<u>400,569</u>	<u>402,962</u>	<u>867,193</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 September 30, 2014 are as follows:

(a) From January 1 to September 30, 2013 (Unaudited)

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate		Ending balance
	Assets/(liabilities)	income	income	variation	Others	Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$		ThUS\$
Depreciation	(454,845)	(115,822)	-	2,904	-	(567,763)
Leased assets	(268,619)	56,105	-	2,653	-	(209,861)
Amortization	(76,763)	(50,560)	-	1,566	-	(125,757)
Provisions	555,423	51,445	-	(43,111)	-	563,757
Revaluation of financial instruments	36,919	(9,363)	(11,809)	(1,138)	-	14,609
Tax losses	420,578	157,922	-	(11,343)	-	567,157
Revaluation property, plant and equipment	22,892	(5,719)	-	(5,003)	-	12,170
Intangibles	(680,167)	-	-	56,883	-	(623,284)
Others	28,310	14,114	-	(18,747)	(2,580)	21,097
Total	<u>(416,272)</u>	<u>98,122</u>	<u>(11,809)</u>	<u>(15,336)</u>	<u>(2,580)</u>	<u>(347,875)</u>

(b) From October 1 to December 31, 2013

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate		Ending balance
	Assets/(liabilities)	income	income	variation	Others	Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$		ThUS\$
Depreciation	(567,763)	(8,762)	-	1,528	-	(574,997)
Leased assets	(209,861)	14,702	-	1,397	-	(193,762)
Amortization	(125,757)	575	-	825	-	(124,357)
Provisions	563,757	(15,809)	-	(22,707)	-	525,241
Revaluation of financial instruments	14,609	9,509	(7,536)	(512)	-	16,070
Tax losses	567,157	(9,656)	-	(5,973)	-	551,528
Revaluation property, plant and equipment	12,170	9,009	-	(2,635)	-	18,544
Intangibles	(623,284)	(1)	-	29,960	-	(593,325)
Others	21,097	(4,570)	-	(9,324)	3,589	10,792
Total	<u>(347,875)</u>	<u>(5,003)</u>	<u>(7,536)</u>	<u>(7,441)</u>	<u>3,589</u>	<u>(364,266)</u>

(c) From January 1 to September 30, 2014 (Unaudited)

	Beginning balance <u>Asset (liability)</u>	Recognized in consolidated <u>income</u>	Recognized in comprehensive <u>income</u>	Exchange rate <u>variation</u>	Effect of a change <u>in tax rates</u>	Others	Ending balance <u>Asset (liability)</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(574,997)	(59,308)	-	1,339	(225,595)	-	(858,561)
Leased assets	(193,762)	12,675	-	1,224	(43,029)	-	(222,892)
Amortization	(124,357)	(18,448)	-	722	(16,050)	-	(158,133)
Provisions	525,241	(101,467)	-	(19,888)	(21,812)	-	382,074
Revaluation							
of financial instruments	16,070	(20,657)	16,205	(499)	3,763	-	14,882
Tax losses	551,528	214,324	-	(5,232)	163,596	-	924,216
Revaluation							
property, plant and equipment	18,544	(9,835)	-	(2,308)	-	-	6,401
Intangibles	(593,325)	-	-	26,241	-	-	(567,084)
Others	10,792	23,321	-	(8,795)	(6,039)	(6,806)	12,473
Total	<u>(364,266)</u>	<u>40,605</u>	<u>16,205</u>	<u>(7,196)</u>	<u>(145,166)</u>	<u>(6,806)</u>	<u>(466,624)</u>

Deferred tax assets not recognized:

	As of September 30, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
Tax losses	<u>7,123</u>	<u>6,538</u>
Total Deferred tax assets not recognized	<u><u>7,123</u></u>	<u><u>6,538</u></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\$ 7,123 (ThUS\$ 6,538 at December 31, 2013) compared to a loss of ThUS\$ 18,596 (ThUS\$ 28,855 at December 31, 2013) to offset against future years tax benefits.

Deferred tax expense and current income taxes for the periods ended at September 30, 2014 and September 30, 2013, respectively, are as follows:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Current tax expense				
Current tax expense	67,114	57,101	25,780	20,687
Adjustment to previous period's current tax	(1,724)	(4,423)	(2,128)	(4,669)
Other current tax expense	-	(300)	-	(300)
Total current tax expense, net	<u>65,390</u>	<u>52,378</u>	<u>23,652</u>	<u>15,718</u>
Deferred tax expense				
Deferred expense for taxes related to the creation and reversal of temporary differences	(44,692)	(98,199)	(27,758)	35,803
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	4,087	77	-	557
Total deferred tax expense, net	<u>(40,605)</u>	<u>(98,122)</u>	<u>(27,758)</u>	<u>36,360</u>
Income tax expense	<u>24,785</u>	<u>(45,744)</u>	<u>(4,106)</u>	<u>52,078</u>

Composition of income tax expense (income):

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Current tax expense, net, foreign	64,431	44,202	22,048	13,524
Current tax expense, net, Chile	959	8,176	1,604	2,194
Total current tax expense, net	<u>65,390</u>	<u>52,378</u>	<u>23,652</u>	<u>15,718</u>
Deferred tax expense, net, foreign	83,866	(126,524)	43,026	22,199
Deferred tax expense, net, Chile	(124,471)	28,402	(70,784)	14,161
Deferred tax expense, net, total	<u>(40,605)</u>	<u>(98,122)</u>	<u>(27,758)</u>	<u>36,360</u>
Income tax expense	<u>24,785</u>	<u>(45,744)</u>	<u>(4,106)</u>	<u>52,078</u>

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

	For the periods ended September 30,	
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Tax expense using the legal rate	(38,490) (*)	(56,145)
Tax effect of rates in other jurisdictions	(5,482)	(41,840)
Tax effect of non-taxable operating revenues	(32,945)	(25,702)
Tax effect of disallowable expenses	99,734	77,410
Other increases (decreases) in legal tax charge	1,968	533
Total adjustments to tax expense using the legal rate	63,275	10,401
Tax expense using the effective rate	24,785	(45,744)

## Reconciliation of legal tax rate to effective tax rate:

	For the periods ended September 30,	
	2014	2013
	%	%
	Unaudited	
Legal tax rate	21.00 (*)	20.00
Effect of tax rates in other jurisdictions	2.99	14.90
Effect of tax rate on non-taxable operating revenues	17.97	9.15
Effect of tax rate on disallowable expenses	(54.41)	(27.57)
Other increase (decrease) in legal tax rate	(1.07)	(0.19)
Total adjustment to the legal tax rate	(34.52)	(3.71)
Total effective tax rate	(13.52)	16.29

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

At September 30, 2014, the Company filed tax expense reconciliation and legal tax rate considering the rate increase. According to the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014, the Company recognized a loss on their retained earnings ThUS\$ 150,210 as a result of the rate increase.



## Deferred taxes related to items charged to net equity:

	For the 9 months ended		For the 3 months ended	
	September 30,		September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	<u>Unaudited</u>			
Aggregate deferred taxation of components of other comprehensive income	8,453	(11,809)	3,207	(3,451)
Tax effect by change legal tax rate in other comprehensive income (*)	7,752	-	7,752	-
Aggregate deferred taxation related to items charged to net equity	(2,581)	-	(861)	-
Tax effect by change legal tax rate in net equity (*)	(2,708)	-	(2,708)	-
Total deferred taxes related to items charged to net equity	<u>10,916</u>	<u>(11,809)</u>	<u>7,390</u>	<u>(3,451)</u>

(\*) Correspond to the tax by tax rate increases Law No. 20,780, tax reform, published in the Official Journal of the Republic of Chile on September 29, 2014.

## Deferred tax effects of the components of other comprehensive income:

	As of September 30, 2014 (Unaudited)		
	Amount before	Income tax	Amount
	taxes	expense	after
	<u>ThUS\$</u>	<u>(income)</u>	<u>taxes</u>
Cash-flow hedges	46,827	(16,205)	30,622
Translation adjustment	261,280	-	261,280
		<u>(16,205)</u>	
	As of September 30, 2013 (Unaudited)		
	Amount before	Income tax	Amount
	taxes	expense	after
	<u>ThUS\$</u>	<u>(income)</u>	<u>taxes</u>
Cash-flow hedges	(68,307)	11,809	(56,498)
Translation adjustment	391,143	-	391,143
		<u>11,809</u>	

## NOTE 21 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
(a) Interest bearing loans	1,444,420	1,969,281
(b) Derivatives not recognized as a hedge	2,159	4,040
(c) Hedge derivatives	<u>115,559</u>	<u>66,466</u>
Total current	<u>1,562,138</u>	<u>2,039,787</u>
Non-current		
(a) Interest bearing loans	7,005,125	7,803,588
(b) Derivatives not recognized as a hedge	-	1,491
(c) Hedge derivatives	<u>33,956</u>	<u>54,906</u>
Total non-current	<u>7,039,081</u>	<u>7,859,985</u>

## (a) Interest bearing loans

## Obligations with credit institutions and debt instruments:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Loans to exporters	385,169	401,263
Bank loans	113,551	602,618
Guaranteed obligations	444,359	455,512
Other guaranteed obligations	61,715	31,109
Subtotal bank loans	1,004,794	1,490,502
Obligation with the public	30,428	21,761
Financial leases	358,114	423,537
Other loans	51,084	33,481
Total current	1,444,420	1,969,281
Non-current		
Bank loans	146,002	322,207
Guaranteed obligations	3,532,189	3,776,910
Other guaranteed obligations	109,460	64,247
Subtotal bank loans	3,787,651	4,163,364
Obligation with the public	1,113,671	1,116,671
Financial leases	1,482,196	1,902,715
Other loans	621,607	620,838
Total non-current	7,005,125	7,803,588
Total obligations with financial institutions	8,449,545	9,772,869

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

Currency balances that make the interest bearing loans at September 30, 2014 and December 31, 2013, are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Currency		
Argentine peso	39,603	43,335
Brazilian real	55,057	76,674
Chilean peso (U.F.)	200,505	267,554
Euro	647	2,029
US Dollar	8,153,733	9,383,277
Total	8,449,545	9,772,869

Interest-bearing loans due in installments to September 30, 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\$	100,000	-	-	-	-	100,000	100,048	-	-	-	-	100,048	At expiration	0.33	0.33
97.036.000-K	SANTANDER	Chile	US\$	100,000	45,000	-	-	-	145,000	100,083	45,002	-	-	-	145,085	At expiration	0.35	0.35
97.030.000-7	ESTADO	Chile	US\$	40,000	-	-	-	-	40,000	40,016	-	-	-	-	40,016	At expiration	0.43	0.43
97.006.000-6	BCI	Chile	US\$	-	100,000	-	-	-	100,000	-	100,020	-	-	-	100,020	At expiration	0.47	0.47
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	14,152	42,456	113,216	31,410	-	201,234	15,513	42,456	111,453	31,083	-	200,505	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	5,931	11,862	-	-	-	17,793	6,045	11,862	-	-	-	17,907	Monthly	31.00	31.00
0-E	BBVA	Argentina	ARS	21,352	-	-	-	-	21,352	21,696	-	-	-	-	21,696	Monthly	33.00	33.00
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US\$	15,935	48,645	105,165	51,840	32,836	254,421	16,289	48,645	105,165	51,840	32,836	254,775	Quarterly	1.44	1.16
0-E	PEFCO	U.S.A.	US\$	2,262	-	-	-	-	2,262	2,267	-	-	-	-	2,267	Quarterly	3.06	2.73
0-E	BNP PARIBAS	U.S.A.	US\$	10,346	31,842	90,121	98,390	201,485	432,184	11,791	31,842	88,739	97,907	201,387	431,666	Quarterly	2.34	2.20
0-E	WELLS FARGO	U.S.A.	US\$	30,217	91,460	249,928	258,960	702,621	1,333,186	34,734	91,460	217,856	243,288	684,450	1,271,788	Quarterly	2.26	1.57
0-E	CITIBANK	U.S.A.	US\$	15,909	46,124	127,393	134,183	301,195	624,804	16,671	46,124	118,933	130,027	295,871	607,626	Quarterly	2.06	1.35
97.036.000-K	SANTANDER	Chile	US\$	5,098	15,471	42,419	44,239	78,211	185,438	5,399	15,472	39,871	43,121	77,432	181,295	Quarterly	1.32	0.77
0-E	BTMU	U.S.A.	US\$	2,630	7,997	22,076	23,243	54,328	110,274	2,819	7,998	20,363	22,437	53,574	107,191	Quarterly	1.63	1.03
0-E	APPLE BANK	U.S.A.	US\$	1,289	3,926	10,845	11,439	27,180	54,679	1,445	3,925	9,996	11,038	26,798	53,202	Quarterly	1.63	1.04
0-E	US BANK	U.S.A.	US\$	14,078	42,717	117,536	123,004	364,901	662,236	17,153	42,717	96,603	112,579	351,948	621,000	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,500	13,871	39,336	26,689	75,384	159,780	5,150	13,871	39,336	26,689	75,384	160,430	Quarterly	3.25	3.25
0-E	NATIXIS	France	US\$	5,031	15,475	44,010	48,404	103,685	216,605	5,255	15,475	44,010	48,404	103,685	216,829	Quarterly	1.67	1.57
0-E	HSBC	U.S.A.	US\$	1,332	4,057	11,180	11,747	32,022	60,338	1,469	4,057	11,180	11,746	32,022	60,474	Quarterly	2.29	1.48
-	SWAP Aircraft arrivals	-	US\$	615	1,716	3,529	1,878	267	8,005	615	1,716	3,529	1,878	267	8,005	Quarterly	-	-
Other guaranteed obligations																		
0-E	DVB BANK SE	U.S.A.	US\$	7,843	23,746	40,500	-	-	72,089	7,874	23,747	40,500	-	-	72,121	Quarterly	1.98	1.98
0-E	CREDIT AGRICOLE	U.S.A.	US\$	7,459	22,378	68,959	-	-	98,796	7,717	22,377	68,960	-	-	99,054	Quarterly	1.73	1.73
Financial leases																		
0-E	ING	U.S.A.	US\$	7,641	23,518	54,772	32,605	15,631	134,167	8,695	23,518	53,663	32,267	15,577	133,720	Quarterly	4.79	4.29
0-E	CREDIT AGRICOLE	France	US\$	1,561	4,814	13,775	1,824	-	21,974	1,612	4,814	13,775	1,824	-	22,025	Quarterly	1.20	1.20
0-E	CITIBANK	U.S.A.	US\$	4,353	13,476	38,824	43,545	19,603	119,801	5,361	13,476	37,490	43,088	19,537	118,952	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	14,377	44,214	125,735	74,646	7,610	266,582	16,124	44,214	122,993	74,222	7,594	265,147	Quarterly	5.35	4.75
0-E	BNP PARIBAS	U.S.A.	US\$	6,703	20,661	59,351	39,225	1,815	127,755	7,098	20,662	58,055	39,053	1,813	126,681	Quarterly	4.61	4.12
0-E	WELLS FARGO	U.S.A.	US\$	4,332	13,214	36,927	39,526	49,657	143,656	4,804	13,214	35,335	38,883	49,367	141,603	Quarterly	3.98	3.53
0-E	DVB BANK SE	U.S.A.	US\$	4,430	13,463	37,107	-	-	55,000	4,525	13,463	37,107	-	-	55,095	Quarterly	1.89	1.89
0-E	BANC OF AMERICA	U.S.A.	US\$	848	1,955	3,437	-	-	6,240	873	1,955	3,437	-	-	6,265	Monthly	1.41	1.41
Other loans																		
0-E	BOEING	U.S.A.	US\$	-	-	171,607	-	-	171,607	1,224	2,874	171,607	-	-	175,705	At expiration	1.74	1.74
0-E	CITIBANK (*)	U.S.A.	US\$	-	-	141,510	182,134	126,356	450,000	1,350	-	141,510	182,134	126,356	451,350	Quarterly	6.00	6.00
Total				450,224	704,058	1,769,258	1,278,931	2,194,787	6,397,258	471,715	706,956	1,691,466	1,243,508	2,155,898	6,269,543			

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

Interest-bearing loans due in installments to September 30, 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 BRAZIL S.A.	Brazil	US\$	9,747	-	-	-	-	9,747	10,080	-	-	-	-	10,080	At Expiration	4.75	4.29
0-E	BANCO ITAU BBA	Brazil	US\$	5,045	-	-	-	-	5,045	5,301	-	-	-	-	5,301	At Expiration	6.00	4.50
0-E	BANCO SAFRA	Brazil	BRL	99	45	-	-	-	144	97	45	-	-	-	142	Monthly	7.42	7.42
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	107	330	957	1,078	1,431	3,903	126	330	957	1,078	1,431	3,922	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	23,497	6,931	305,013	5,193	803,465	1,144,099	At Expiration	7.70	6.42
Financial leases																		
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	1,838	5,672	16,349	18,296	10,805	52,960	2,087	5,672	16,349	18,296	10,805	53,209	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,146	9,701	27,933	15,762	9,625	66,167	3,262	9,701	27,933	15,762	9,625	66,283	Monthly	1.42	1.42
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,319	13,103	46,567	10,373	10,727	85,089	4,550	13,103	46,567	10,373	10,727	85,320	Quarterly	1.42	1.42
0-E	CREDIT AGRICOLE -CIB	France	US\$	2,879	5,864	6,001	-	-	14,744	2,990	5,864	6,001	-	-	14,855	Quarterly/Semiannual	2.95	2.95
0-E	DVB BANK SE	Germany	US\$	3,125	12,500	-	-	-	15,625	3,169	12,500	-	-	-	15,669	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	197	591	901	-	-	1,689	200	591	901	-	-	1,692	Monthly	1.70	1.70
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,513	10,705	27,387	-	-	41,605	3,567	10,706	27,387	-	-	41,660	Monthly	1.25	1.25
0-E	KFW IPEX-BANK	Germany	US\$	4,005	12,288	25,043	18,386	11,254	70,976	4,131	12,288	25,043	18,386	11,254	71,102	Monthly/Quarterly	1.75	1.75
0-E	NATIXIS	France	US\$	2,946	11,305	31,380	33,339	97,574	176,544	3,864	11,305	31,380	33,339	97,574	177,462	Quarterly/Semiannual	3.66	3.66
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	2,916	9,032	37,355	18,094	30,532	97,929	3,081	9,032	37,355	18,094	30,532	98,094	Monthly	1.71	1.71
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	425	1,223	2,908	2,457	13,394	20,407	466	1,223	2,908	2,457	13,394	20,448	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,689	31,895	90,880	99,975	63,970	298,409	12,522	31,895	90,880	99,975	63,970	299,242	Quarterly	3.69	3.61
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	524	1,591	4,366	4,557	4,799	15,837	547	1,591	4,366	4,557	4,799	15,860	Quarterly	0.57	0.57
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	253	-	-	-	-	253	239	-	-	-	-	239	Monthly	11.42	11.42
0-E	BANCO IBM S.A	Brazil	BRL	345	1,037	2,765	334	-	4,481	346	1,037	2,755	334	-	4,472	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	237	748	1,667	-	-	2,652	238	748	1,668	-	-	2,654	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	647	-	-	-	-	647	647	-	-	-	-	647	Monthly	6.82	6.82
0-E	SOCIETE GENERALE	France	BRL	136	408	1,089	283	-	1,916	136	408	1,087	283	-	1,914	Monthly	11.32	11.32
Other loans																		
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,648	13,988	-	-	-	45,636	31,648	13,988	-	-	-	45,636	Monthly	3.77	3.77
Total				89,786	142,026	623,548	222,934	1,054,111	2,132,405	116,791	148,958	628,550	228,127	1,057,576	2,180,002			
Total consolidated				540,010	846,084	2,392,806	1,501,865	3,248,898	8,529,663	588,506	855,914	2,320,016	1,471,635	3,213,474	8,449,545			

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	ARS	-	15,335	-	-	-	15,335	35	15,335	-	-	-	15,370	Monthly	20.75	20.75
0-E	BBVA	Argentina	ARS	-	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	47,219	-	-	-	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-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-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	SOCIETE 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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
a) Other interest bearing loans (see note 21 a)	51,084	33,481
b) Derivative not recognized as a hedge (see note 21 b)	2,159	4,040
c) Hedge derivatives (see note 21 c)	115,559	66,466
Total currents	<u>168,802</u>	<u>103,987</u>
Non-current		
a) Other interest bearing loans (see note 21 a)	621,607	620,838
b) Derivative not recognized as a hedge (see note 21 b)	-	1,491
c) Hedge derivatives (see note 21 c)	33,956	54,906
Total non-currents	<u>655,563</u>	<u>677,235</u>

(b) Derivatives not recognized as a hedge.

Derivatives not recognized as a hedge as of September 30, 2014 and December 31, 2013, respectively, is as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Interest rate derivative not recognized as a hedge	<u>2,159</u>	<u>4,040</u>
Total current	<u>2,159</u>	<u>4,040</u>
Non-current		
Interest rate derivative not recognized as a hedge	<u>-</u>	<u>1,491</u>
Total non-current	<u>-</u>	<u>1,491</u>
Total other financial liabilities	<u>2,159</u>	<u>5,531</u>



## (c) Hedge derivatives

Hedge derivatives as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Accrued interest from the last date of interest rate swap	5,295	5,775
Fair value of interest rate derivatives	24,409	32,070
Fair value of fuel derivatives	43,899	-
Fair value of foreign currency derivatives	41,956	28,621
Total current	<u>115,559</u>	<u>66,466</u>
Non-current		
Fair value of interest rate derivatives	33,956	54,906
Total non-current	<u>33,956</u>	<u>54,906</u>
Total hedging liabilities	<u>149,515</u>	<u>121,372</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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Cross currency swaps (CCS) (1)	(37,936)	(26,028)
Interest rate options (2)	1	6
Interest rate swaps (3)	(66,995)	(92,088)
Fuel collars (4)	(4,634)	1,878
Fuel swap (5)	(38,365)	13,990
Currency forward R\$/US\$ (6)	5,878	32,058
Currency forward CLP/US\$ (7)	-	(1,121)
Currency collars (8)	-	(1,652)

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

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

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

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

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

	For the 9 months ended		For the 3 months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Debit (credit) recognized in comprehensive income during the period	(46,827)	68,307	(14,250)	25,154
Debit (credit) transferred from net equity to income during the period	(52,848)	(22,484)	(28,365)	11,807

## NOTE 22 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
(a) Trade and other accounts payables	1,194,718	1,264,395
(b) Accrued liabilities at the reporting date	437,571	293,341
Total trade and other accounts payables	<u>1,632,289</u>	<u>1,557,736</u>

(a) Trade and other accounts payable as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Trade creditors	929,384	969,260
Leasing obligation	36,268	44,756
Other accounts payable (*)	229,066	250,379
Total	<u>1,194,718</u>	<u>1,264,395</u>

(\*) Include 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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Aircraft Fuel	238,998	302,419
Boarding Fee	218,128	217,389
Other personnel expenses	107,707	117,418
Airport charges and overflight	104,015	98,560
Suppliers' technical purchases	72,161	67,995
Land services	60,580	47,046
Professional services and advisory	54,814	63,082
Marketing	54,735	50,009
Handling and ground handling	53,123	48,797
Leases, maintenance and IT services	39,979	46,163
Aircraft and engines leasing	33,965	44,756
Services on board	25,094	29,940
Maintenance	19,345	15,793
Tax recovery program (*)	17,656	14,569
Aviation insurance	15,678	10,665
Achievement of goals	15,645	9,806
Crew	12,704	14,040
Communications	6,904	4,578
Airlines	5,055	5,054
Distribution sistem	2,266	3,103
U.S.A. Department of Justice (**)	-	18,290
Others	36,166	34,923
Total trade and other accounts payables	<u>1,194,718</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.

(\*\*) Include 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 September 30, 2014 and December 31, 2013, are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Accrued personnel expenses	204,320	151,586
Aircraft and engine maintenance	118,713	3,741
Accounts payable to personnel (*)	82,191	110,147
Others accrued liabilities	32,347	27,867
Total accrued liabilities	<u>437,571</u>	<u>293,341</u>

(\*) Profits and bonds participation (Note 25 letter b)

## NOTE 23 - OTHER PROVISIONS

The detail of Other provisions as of September 30, 2014 and December 31, 2013 is as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Provision for contingencies (1)		
Tax contingencies	7,092	7,092
Civil contingencies	12,854	13,430
Labor contingencies	858	7,334
Total other provisions, current	<u>20,804</u>	<u>27,856</u>
Non-current		
Provision for contingencies (1)		
Tax contingencies	899,104	968,211
Civil contingencies	53,603	50,022
Labor contingencies	31,504	64,895
Other	26,200	27,770
Provision for European Commission investigation (2)	<u>10,384</u>	<u>11,349</u>
Total other provisions, non-current	<u>1,020,795</u>	<u>1,122,247</u>
Total other provisions (3)	<u><u>1,041,599</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 September 30, 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 September 30, 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	46,344	-	46,344
Provision used	(57,009)	-	(57,009)
Difference by subsidiaries conversion	(111,650)	-	(111,650)
Reversal of provision	(5,976)	-	(5,976)
Exchange difference	(703)	254	(449)
Closing balance as of September 30, 2013 (Unaudited)	<u>1,226,587</u>	<u>11,119</u>	<u>1,237,706</u>
Opening balance as of October 1, 2013	1,226,587	11,119	1,237,706
Increase in provisions	18,763	-	18,763
Provision used	(183)	-	(183)
Difference by subsidiaries conversion	(58,802)	-	(58,802)
Reversal of provision	(47,483)	-	(47,483)
Exchange difference	(128)	230	102
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	20,746	-	20,746
Provision used	(20,042)	-	(20,042)
Difference by subsidiaries conversion	(82,595)	-	(82,595)
Reversal of provision	(25,285)	-	(25,285)
Exchange difference	(363)	(965)	(1,328)
Closing balance as of September 30, 2014 (Unaudited)	<u>1,031,215</u>	<u>10,384</u>	<u>1,041,599</u>

Accumulated balance includes the judicial deposit in guarantee, related to the “Fundo Aeroviário” (FA), in the amount of US\$ 97 million, was done in order to suspend the enforceability of the tax credit. The company is discussing over the Tribunal the constitutionality of the requirement made by FA in a legal suit. Initially it was covered by the effects of a provisional remedy, meaning that, the company was not obligated to collect the tax while there was not a judicial decision in this regard. However, the decision taken by a judge in the first instance was publicized in an unfavorable way, revoking the provisional remedy relief. As the legal suit is still in progress (TAM appealed from this first decision), the company needed to do the deposit judicial in guarantee to suspend the enforceability of such tax credit; deposit classified in this category deducting the existing provision. Finally, if the final decision is favorable to the company, the deposit already made is going to come back to TAM. On the other hand, if the tribunal confirms the first decision, such deposit will be converted in a definitive payment in favor of the Brazilian Government.



(\*) European Commission Provision:

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

## NOTE 24 - OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Current		
Deferred revenues (*)	2,608,894	2,739,125
Sales tax	37,589	52,576
Retentions	50,200	49,355
Others taxes	14,565	12,294
Other sundry liabilities	17,914	18,290
Total other non-financial liabilities, current	<u>2,729,162</u>	<u>2,871,640</u>
Non-current		
Deferred revenues (*)	67,396	77,513
Other sundry liabilities	52	54
Total other non-financial liabilities, non-current	<u>67,448</u>	<u>77,567</u>
Total other non-financial liabilities	<u><u>2,796,610</u></u>	<u><u>2,949,207</u></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, by the accumulation of kilometers that can be exchanged for free flying tickets or a wide range of products and services. Customers accumulate LANPASS kilometers every time they fly with LAN, TAM, in companies **oneworld**® members and other airlines associated with the program, as well as buy on the stores or use the services of a vast network of companies that have an agreement with the program around the world.

For its part, TAM, thinking on frequent flyer who travel constantly, created the program TAM Fidelidade, in order to improve the passenger attention and give recognition to those who choose the company. By using this program, customers accumulate points in a variety of programs loyalty in a single account and can redeem them at all TAM destinations and related airline companies, and even more, participate in the Red Multiplus Fidelidade.

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

## NOTE 25 - EMPLOYEE BENEFITS

Liability for employee benefits as of September 30, 2014 and December 31, 2013, respectively, are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Retirements payments	12,213	9,639
Resignation payments	573	493
Other obligations	35,451	35,534
Total liability for employee benefits	<u>48,237</u>	<u>45,666</u>

(a) The movement in retirements and resignation payments and other obligations between January 1, 2013 and September 30, 2014 is as follows:

	ThUS\$
Opening balance as of January 1, 2013	38,095
Increase (decrease) current service provision	8,209
Benefits paid	<u>(750)</u>
Closing balance as of September 30, 2013 (Unaudited)	<u>45,554</u>
Opening balance as of October 1, 2013	45,554
Increase (decrease) current service provision	1,657
Benefits paid	<u>(1,545)</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	3,261
Benefits paid	<u>(690)</u>
Closing balance as of September 30, 2014 (Unaudited)	<u>48,237</u>

(b) The liability for short-term benefits as of September 30, 2014 and December 31, 2013, respectively, is detailed below:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$ Unaudited
Profit-sharing and bonuses (*)	<u>82,191</u>	<u>110,147</u>

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

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

(c) Employment expenses are detailed below:

	For the 9 months ended September 30, 2014 ThUS\$ Unaudited		For the 3 months ended September 30, 2014 ThUS\$ Unaudited	
	2014 ThUS\$ Unaudited	2013 ThUS\$ Unaudited	2014 ThUS\$ Unaudited	2013 ThUS\$ Unaudited
Salaries and wages	1,244,777	1,298,873	412,231	417,411
Short-term employee benefits	345,505	345,741	113,857	122,572
Termination benefits	44,884	52,118	20,728	23,846
Other personnel expenses	188,584	185,603	60,601	61,162
Total	<u>1,823,750</u>	<u>1,882,335</u>	<u>607,417</u>	<u>624,991</u>

## NOTE 26 - ACCOUNTS PAYABLE, NON-CURRENT

Non-current accounts payable as of September 30, 2014 and December 31, 2013 are as follows:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Aircraft and engine maintenance	540,860	663,837
Tax recovery program (*)	161,542	176,666
Fleet financing (JOL)	58,366	57,997
Provision for vacations and bonuses	9,634	9,879
Other accounts payable	2,327	2,654
Other sundry liabilities	8,686	11,854
Total accounts payable, non-current	<u>781,415</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 27 - 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 September 30, 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 September 30, 2014.

Movement of authorized shares	Nro. Of shares
Authorized shares as of January 1, 2013	488,355,791
Increase capital approved at Extraordinary Shareholders meeting dated June 11, 2013	63,500,000
Full right decrease of treasury stock	<u>(7,972)</u>
Authorized shares as of September 30, 2013 (Unaudited)	<u>551,847,819</u>
Authorized shares as of October 1, 2013	551,847,819
No movement of authorized shares at December 31, 2013	<u>-</u>
Authorized shares as of December 31, 2013	<u>551,847,819</u>
Authorized shares as of January 1, 2014	551,847,819
No movement of authorized shares at September 30, 2014	<u>-</u>
Authorized shares as of September 30, 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
Full right decrease of treasury stock	(7,972)	(25)	-	(25)
Capitalization of reserves	-	-	(179)	(179)
Paid shares as of September 30, 2013 (Unaudited)	<u>483,547,819</u>	<u>1,611,526</u>	<u>(6,361)</u>	<u>1,605,165</u>
Paid shares as of October 1, 2013	483,547,819	1,611,526	(6,361)	1,605,165
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	<u>51,695,410</u>	<u>784,219</u>	<u>-</u>	<u>784,219</u>
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	<u>10,304,590</u>	<u>156,321</u>	<u>-</u>	<u>156,321</u>
Paid shares as of September 30, 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 September 30, 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 36(a)).

## (c) Treasury stock

At September 30, 2014, the Company held no treasury stock, the remaining of ThUS\$ (178) corresponds to the difference between the amount paid for the shares and their book value, at the time of the full right decrease of the shares.

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

## (d) Reserve of share- based payments

The movement of Reserves of share- based payments between January 1, 2013 and September 30, 2014, is as follows:

	Reserve of share - based payments <u>ThUS\$</u>
Opening balance as of January 1, 2013	5,574
Stock option plan	14,331
Deferred tax	<u>(2,580)</u>
Closing balance as of September 30, 2013 (Unaudited)	<u>17,325</u>
Opening balance as of October 1, 2013	17,325
Stock option plan	4,546
Deferred tax	<u>(860)</u>
Closing balance as of December 31, 2013	<u>21,011</u>
Opening balance as of January 1, 2014	21,011
Stock option plan	13,446
Deferred tax	<u>(2,581)</u>
Tax effect on deferred tax by change legal tax rate (Tax reform) (*)	<u>(2,708)</u>
Closing balance as of September 30, 2014 (Unaudited)	<u>29,168</u>

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

These reserves are related to the "Share-based payments" explained in Note 36.



## (e) Other sundry reserves

The movement of Other sundry reserves between January 1, 2013 and September 30, 2014, is as follows:

	Other sundry reserves <u>ThUS\$</u>
Opening balance as of January 1, 2013	2,666,682
Transactions with non-controlling interest	(5,057)
Cost of issuance and placement of shares (1)	(179)
Capitalization share issuance and placement cost (1)	179
Legal reserves	<u>(12,425)</u>
Closing balance as of September 30, 2013 (Unaudited)	<u><u>2,649,200</u></u>
Opening balance as of October 1, 2013	2,649,200
Transactions with non-controlling interest	3,107
Cost of issuance and placement of shares (2)	(5,264)
Legal reserves	<u>10,757</u>
Closing balance as of December 31, 2013	<u><u>2,657,800</u></u>
Opening balance as of January 1, 2014	2,657,800
Transactions with non-controlling interest	(20,536)
Legal reserves	<u>2,257</u>
Closing balance as of September 30, 2014 (Unaudited)	<u><u>2,639,521</u></u>

- (1) The costs incurred through the issuance and placement to ThUS\$ 179 correspond at the remaining 7,436,816 shares, not used in this exchange (business combination with TAM S.A. and subsidiaries), reallocated as agreed at the Extraordinary Shareholders' Meeting held on September 4, 2012. This cost was capitalized during June 2013, according with minute of the Extraordinary Meeting of Shareholders held on June 11, 2013.
- (2) The cost of the issuance and placement to ThUS\$ 5,264, corresponds to a capital increase agreed in the Extraordinary Meeting of Shareholders held on June 11, 2013.

The balance of Other sundry reserves comprises the following:

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Higher value for TAM S.A. share exchange (1)	2,665,692	2,665,692
Reserve for the adjustment to the value of fixed assets (2)	2,620	2,620
Transactions with non-controlling interest (3)	(25,891)	(5,355)
Cost of issuance and placement of shares	(5,264)	(5,264)
Others	2,364	107
Total	<u>2,639,521</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 September 30, 2014, correspond to the loss generated by the participation of Lan Pax Group S.A. in the acquisition of shares of Aerovías de Integración Regional Aires de ThUS\$ (3,480), the acquisition of TAM S.A. of the minority holding of Aerolinhas Brasileiras S.A. of ThUS\$ (885) and the acquisition of minority interest of Aerolane S.A. by Lan Pax group S.A. through Holdco Ecuador S.A. for US\$ (21,526).

## (f) Reserves with effect in other comprehensive income.

The movement of Reserves with effect in other comprehensive income between January 1, 2013 and September 30, 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)	-	65,754	65,754
Deferred tax	-	(10,942)	(10,942)
Difference by subsidiaries conversion	(368,505)	-	(368,505)
Closing balance as of September 30, 2013 (Unaudited)	<u>(364,931)</u>	<u>(85,918)</u>	<u>(450,849)</u>
Opening balance as of October 1, 2013	(364,931)	(85,918)	(450,849)
Derivatives valuation gains (losses)	-	58,473	58,473
Deferred tax	-	(7,063)	(7,063)
Difference by subsidiaries conversion	(225,060)	-	(225,060)
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)	-	(48,597)	(48,597)
Deferred tax	-	9,054	9,054
Tax effect on deferred tax			
by change legal tax rate (Tax reform)(*)	-	7,752	7,752
Difference by subsidiaries conversion	(231,635)	-	(231,635)
Closing balance as of September 30, 2014 (Unaudited)	<u>(821,626)</u>	<u>(66,299)</u>	<u>(887,925)</u>

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

## (f.1) Currency translation reserve

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

## (f.2) Cash flow hedging reserve

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

## (g) Retained earnings

The movement of Retained earnings between January 1, 2013 and September 30, 2014, is as follows:

	ThUS\$
Opening balance as of January 1, 2013	1,076,136
Result for the period	(234,992)
Other increase (decreases)	11,461
Closing balance as of September 30, 2013 (Unaudited)	<u>852,605</u>
Opening balance as of October 1, 2013	852,605
Result for the period	(46,122)
Other increase (decreases)	(11,180)
Closing balance as of December 31, 2013	<u>795,303</u>
Opening balance as of January 1, 2014	795,303
Result for the period	(208,072)
Other increase (decreases)	59
Deferred tax effect of exchange rate (Tax reform)*	(150,210)
Closing balance as of September 30, 2014 (Unaudited)	<u>437,080</u>

(\*) According to the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014, the Company recognized a loss on their retained earnings ThUS\$ 150,210 as a result of the rate increase.

## (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 September 30, 2014, have not been provisioned minimum mandatory dividends.

## NOTE 28 - REVENUE

The detail of revenues is as follows:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Passengers LAN	3,354,163	3,497,045	1,151,082	1,245,013
Passengers TAM	4,499,494	4,728,067	1,486,004	1,588,592
Cargo	<u>1,256,130</u>	<u>1,383,283</u>	<u>410,486</u>	<u>436,362</u>
Total	<u><u>9,109,787</u></u>	<u><u>9,608,395</u></u>	<u><u>3,047,572</u></u>	<u><u>3,269,967</u></u>

## NOTE 29 - COSTS AND EXPENSES BY NATURE

## (a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Other rentals and landing fees	993,318	1,034,379	330,120	335,623
Aircraft fuel	3,155,006	3,328,551	1,047,722	1,055,800
Comissions	304,311	292,979	95,680	113,547
Other operating expenses	1,137,615	1,216,434	364,685	417,889
Aircraft rentals	392,815	315,360	131,742	116,147
Aircraft maintenance	346,033	352,149	114,993	114,795
Passenger services	228,529	248,214	79,603	77,776
Total	<u>6,557,627</u>	<u>6,788,066</u>	<u>2,164,545</u>	<u>2,231,577</u>

## (b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Depreciation (*)	706,532	748,481	241,169	237,947
Amortization	37,728	43,080	10,062	11,777
Total	<u>744,260</u>	<u>791,561</u>	<u>251,231</u>	<u>249,724</u>

(\*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at September 30, 2014 is ThUS\$ 274,041 and ThUS\$ 308,313 for same period of 2013.

## (c) Personnel expenses

The costs for personnel expenses are disclosed in Note 25 liability for employee benefits.

## (d) Financial costs

The detail of financial costs is as follows:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Bank loan interest	258,719	284,899	80,973	99,268
Financial leases	55,959	60,041	16,565	17,840
Other financial instruments	15,670	(4,720)	(11,608)	(3,314)
Total	<u>330,348</u>	<u>340,220</u>	<u>85,930</u>	<u>113,794</u>

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 25, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.

## (e) Restructuring Costs

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

## NOTE 30 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Duty free	13,319	10,643	6,149	3,113
Aircraft leasing	23,880	27,814	6,116	8,518
Customs and warehousing	16,160	16,901	5,699	6,220
Tours	77,614	79,290	26,490	25,798
Maintenance	10,869	10,743	2,297	5,033
Other miscellaneous income	114,834	114,770	46,977	42,029
Total	<u>256,676</u>	<u>260,161</u>	<u>93,728</u>	<u>90,711</u>



## NOTE 31 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

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

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

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

## (a) Foreign currency

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

	As of September 30, <u>2014</u> ThUS\$ Unaudited	As of December 31, <u>2013</u> ThUS\$
<u>Current assets</u>		
Cash and cash equivalents	326,913	538,213
Argentine peso	29,195	41,092
Brazilian real	2,763	3,683
Chilean peso	86,191	229,913
Colombian peso	2,991	5,254
Euro	20,745	16,571
U.S. dollar	59,487	44,656
Strong bolivar	67,490	162,809
Other currency	58,051	34,235
Other financial assets, current	35,611	51,082
Argentine peso	2,227	885
Chilean peso	25,785	25,854
Colombian peso	-	2,039
Euro	1	6
U.S. dollar	7,282	22,035
Strong bolivar	43	14
Other currency	273	249

	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
<u>Current assets</u>		
Other non - financial assets, current	77,627	56,218
Argentine peso	3,861	5,310
Brazilian real	149	846
Chilean peso	13,234	16,846
Colombian peso	957	1,011
Euro	672	3,052
U.S. dollar	41,960	2,221
Strong bolivar	-	102
Other currency	16,794	26,830
Trade and other accounts receivable, current	482,481	417,775
Argentine peso	60,467	11,387
Brazilian real	25,644	19,986
Chilean peso	78,728	80,461
Colombian peso	1,460	2,240
Euro	26,951	21,479
U.S. dollar	74,209	114,372
Strong bolivar	4,559	2,353
Other currency	210,463	165,497
Accounts receivable from related entities, current	327	466
Chilean peso	327	466
Tax current assets	19,546	14,836
Argentine peso	1,400	-
Brazilian real	2	-
Chilean peso	4,216	3,398
Colombian peso	1,890	787
Euro	31	35
U.S. dollar	505	515
Other currency	11,502	10,101
<u>Current assets</u>		
Total current assets	942,505	1,078,590
Argentine peso	97,150	58,674
Brazilian real	28,558	24,515
Chilean peso	208,481	356,938
Colombian peso	7,298	11,331
Euro	48,400	41,143
U.S. Dollar	183,443	183,799
Strong bolivar	72,092	165,278
Other currency	297,083	236,912

<u>Non-current assets</u>	As of September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
Other financial assets, non-current	46,040	49,786
Argentine peso	57	24
Brazilian real	753	597
Chilean peso	1,122	1,701
Colombian peso	242	254
Euro	4,467	5,488
U.S. dollar	38,488	40,894
Other currency	911	828
Other non - financial assets, non-current	24,330	18,006
Other currency	24,330	18,006
Accounts receivable, non-current	11,560	13,429
Chilean peso	6,364	8,227
U.S. dollar	5,000	5,000
Other currency	196	202
Deferred tax assets	4,378	4,460
Colombian peso	395	-
U.S. dollar	1,591	2,056
Other currency	2,392	2,404
Total non-current assets	86,308	85,681
Argentine peso	57	24
Brazilian real	753	597
Chilean peso	7,486	9,928
Colombian peso	637	254
Euro	4,467	5,488
U.S. dollar	45,079	47,950
Other currency	27,829	21,440

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

	Up to 90 days		91 days to 1 year	
	As of	As of	As of	As of
	September 30,	December 31,	September 30,	December 31,
	2014	2013	2014	2013
	ThUS\$ Unaudited	ThUS\$ Unaudited	ThUS\$ Unaudited	ThUS\$ Unaudited
<u>Current liabilities</u>				
Other financial liabilities, current	99,600	303,626	175,188	561,428
Chilean peso	15,513	53,619	42,456	46,772
Euro	647	824	-	1,205
U.S. dollar	83,440	249,183	132,732	513,451
Trade and other accounts				
payables, current	466,015	679,769	19,363	20,676
Argentine peso	41,225	31,603	1,160	-
Brazilian real	14,264	9,671	-	8
Chilean peso	18,872	29,560	11,440	11,975
Colombian peso	7,983	14,445	127	422
Euro	28,079	19,373	2,555	3,316
U.S. dollar	235,177	433,377	395	4,902
Strong bolivar	6,503	4,024	-	-
Other currency	113,912	137,716	3,686	53
Accounts payable to related entities, current	169	318	-	-
Chilean peso	6	14	-	-
U.S. dollar	163	304	-	-
Tax liabilities, current	-	134	-	-
Chilean peso	-	4	-	-
Other currency	-	130	-	-

	Up to 90 days		91 days to 1 year	
	As of	As of	As of	As of
	September 30,	December 31,	September 30,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<u>Current liabilities</u>	Unaudited		Unaudited	
Other non-financial				
liabilities, current	50,813	76,040	-	72
Argentine peso	12,436	10,710	-	-
Brazilian real	4,310	3,746	-	52
Chilean peso	12,921	37,227	-	19
Colombian peso	4,835	6,069	-	-
Euro	9,151	8,382	-	-
U.S. dollar	311	1,272	-	-
Strong bolivar	828	637	-	-
Other currency	6,021	7,997	-	1
Total current liabilities	616,597	1,059,887	194,551	582,176
Argentine peso	53,661	42,313	1,160	-
Brazilian real	18,574	13,417	-	60
Chilean peso	47,312	120,424	53,896	58,766
Colombian peso	12,818	20,514	127	422
Euro	37,877	28,579	2,555	4,521
U.S. dollar	319,091	684,136	133,127	518,353
Strong bolivar	7,331	4,661	-	-
Other currency	119,933	145,843	3,686	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
	September 30,	December 31,	September 30,	December 31,	September 30,	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	734,493	578,393	654,123	754,256	1,057,576	1,366,860
Chilean peso	111,453	122,780	31,083	80,528	-	-
U.S. dollar	623,040	455,613	623,040	673,728	1,057,576	1,366,860
Accounts payable, non-current	516,975	647,880	96	641	4	11
Chilean peso	7,277	7,187	96	641	4	11
U.S. dollar	507,955	639,204	-	-	-	-
Other currency	1,743	1,489	-	-	-	-
Other provisions, non-current	11,023	11,929	-	-	-	-
Argentine peso	432	410	-	-	-	-
Brazilian real	146	146	-	-	-	-
Chilean peso	36	-	-	-	-	-
Euro	10,384	11,349	-	-	-	-
U.S. dollar	25	24	-	-	-	-
Provisions for						
employees benefits, non-current	734	636	-	-	-	-
U.S. dollar	734	636	-	-	-	-
Total non-current liabilities	1,263,225	1,238,838	654,219	754,897	1,057,580	1,366,871
Argentine peso	432	410	-	-	-	-
Brazilian real	146	146	-	-	-	-
Chilean peso	118,766	129,967	31,179	81,169	4	11
Euro	10,384	11,349	-	-	-	-
U.S. dollar	1,131,754	1,095,477	623,040	673,728	1,057,576	1,366,860
Other currency	1,743	1,489	-	-	-	-

General summary of foreign currency:	As of	As of
	September 30,	December 31,
	2014	2013
	ThUS\$	ThUS\$
	Unaudited	
Total assets	1,028,813	1,164,271
Argentine peso	97,207	58,698
Brazilian real	29,311	25,112
Chilean peso	215,967	366,866
Colombian peso	7,935	11,585
Euro	52,867	46,631
U.S. dollar	228,522	231,749
Strong bolivar	72,092	165,278
Other currency	324,912	258,352
Total liabilities	3,786,172	5,002,669
Argentine peso	55,253	42,723
Brazilian real	18,720	13,623
Chilean peso	251,157	390,337
Colombian peso	12,945	20,936
Euro	50,816	44,449
U.S. dollar	3,264,588	4,338,554
Strong bolivar	7,331	4,661
Other currency	125,362	147,386
Net position		
Argentine peso	41,954	15,975
Brazilian real	10,591	11,489
Chilean peso	(35,190)	(23,471)
Colombian peso	(5,010)	(9,351)
Euro	2,051	2,182
U.S. dollar	(3,036,066)	(4,106,805)
Strong bolivar	64,761	160,617
Other currency	199,550	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 September 30, 2014 and 2013, generated a debit of ThUS\$ 39,944 and ThUS\$ 360,892, respectively. In the third quarter of 2014 and 2013, were generated a debit of ThUS\$ 144,093 and ThUS\$ 12,699, respectively.

Exchange differences recognized in equity as reserves for currency translation differences for the period ended September 30, 2014 and 2013, represented a debit of ThUS\$ 261,280 and ThUS\$ 391,143, respectively. In the third quarter of 2014 and 2013, were generated a debit of ThUS\$ 542,025 and ThUS\$ 36,968, respectively.

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

	As of September 30, <u>2014</u> Unaudited	As of December 31, <u>2013</u>
Argentine peso	8.43	6.52
Brazilian real	2.46	2.36
Chilean peso	599.22	524.61
Colombian peso	2,027.21	1,925.52
Euro	0.79	0.72
Strong bolivar	12.00	6.30
Australian dollar	1.14	1.12
Boliviano	6.86	6.86
Mexican peso	13.42	13.07
New Zealand dollar	1.28	1.22
Peruvian Sol	2.89	2.80
Uruguayan peso	24.59	21.49



## NOTE 32 - EARNINGS PER SHARE

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2014	2013	2014	2013
Basic earnings	Unaudited			
Earnings attributable to controlling company's equity holders (ThUS\$)	(208,072)	(234,992)	(107,829)	52,093
Weighted average number of shares, basic	545,547,819	483,552,248	545,547,819	483,553,134
Basic earnings per share (US\$)	(0.38140)	(0.48597)	(0.19765)	0.10773

	For the 9 months ended September 30,		For the 3 months ended September 30,	
	2014	2013	2014	2013
Diluted earnings	Unaudited			
Earnings attributable to controlling company's equity holders (ThUS\$)	(208,072)	(234,992)	(107,829)	52,093
Weighted average number of shares, basic	545,547,819	483,552,248	545,547,819	483,553,134
Weighted average number of shares, diluted	545,547,819	483,552,248	545,547,819	483,553,134
Diluted earnings per share (US\$)	(0.38140)	(0.48597)	(0.19765)	0.10773

## NOTE 33 – 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 ThUS\$</u>
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York County of New York.	07-6022920	Atlantic Aviation Investments LLC. ("AAI"), an indirect subsidiary LATAM Airlines Group S.A., incorporated under the laws of the State of Delaware, sued in August 29 <sup>th</sup> , 2007 Varig Logistics S.A. ("Variglog") for non-payment of four documented loans in credit agreements governed by New York law. These contracts establish the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A.	In implementation stage in Switzerland, the conviction stated that Variglog should pay the principal, interest and costs in favor of AAI. It keeps the embargo of Variglog funds in Switzerland with AAI. Variglog is in the process of judicial recovery in Brazil and has asked Switzerland to recognize the judgment that declared the state of judicial recovery and subsequent bankruptcy.	17,100 Plus interests and costs
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York County of New York.	602286-09	Atlantic Aviation Investments LLC. ("AAI") sued on July 24 <sup>th</sup> , 2009 Matlin Patterson Global Advisers LLC, Matlin Patterson Global Opportunities Partners II LP, Matlin Patterson Global Opportunities Partners (Cayman) II LP and Logistics LLC Volo (a) as alter egos of Variglog for non-payment of the four loans mentioned in the previous note and (b) for breach of its obligation to guarantee and other obligations under the Memorandum of Understanding signed between the parties on September 29 <sup>th</sup> , 2006.	AAI filed a "summary judgment" (abbreviated trial) which the court ruled favorably. The defendants appealed this decision which was ultimately dismissed by the High Court. The cause was turned back to the lower court for determination of the amount actually payable by the applicants (damages) ongoing proceedings before the court.	17,100 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 ThUS\$</u>
Lan Argentina S.A.	National Administrative Court.	36337/13	ORSNA Resolution No. 123 which directs Lan Argentina to vacate the hangar located in the Airport named Aeroparque Metropolitano Jorge Newberry, Argentina.	ORSNA appealed the injunction that ordered to rescind the eviction. Lan Argentina filed suit against background Resolution No. 123 ORSNA. On December 23 <sup>rd</sup> , 2013, the Second Division of the National Court of Appeals in Federal Administrative Matters confirmed the injunction and decided in First Instance in favor of Lan Argentina SA, being suspended eviction order formalized by ORSNA respect the Aeroparque Jorge Newberry hangar. On March 21 <sup>st</sup> , 2014, the Court of 1st Instance extended the validity of the injunction (which expired on March 27 <sup>th</sup> , 2014) for 180 days. On June 19 <sup>th</sup> , 2014, the Second Division of the Federal Administrative Chamber confirmed the extension of the injunction granted by the Court of 1st Instance in March. On September 18 <sup>th</sup> , 2014 the Court of 1st Instance decided to extend the validity of the injunction until a sentence is reached in the main trial.	Undetermined

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

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.	-	Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26 <sup>th</sup> , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight. On November 9 <sup>th</sup> , 2010, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the imposition of a fine in the amount of ThUS\$ 10.384. This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. We cannot predict the outcome of this appeal process.	On April 14 <sup>th</sup> , 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011.	10,384
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery División (England) Ovre Romerike District Court (Norway) y Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands).	-	Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo SA and LATAM Airlines Group S.A., have been sued in court proceedings in third party, based in England, Norway and the Netherlands.	Case is in the uncovering evidence stage.	Undetermined

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Aerolinhas Brasileiras S.A.	Administrative Council for Economic Defense, Brazil.	-	Investigation of alleged infringements to competition of cargo airlines, especially fuel surcharge	On September 3 <sup>rd</sup> , 2013, CADE's decision was published in the Diario da Uniao confirming the conviction for infringement and the imposition of fines ABSA for the amount of ThUS \$ 46,566. This fine will be appealed by ABSA on December 05, 2013. In turn, CADE imposed fines also to a current director of ABSA and two former employees of the respective company in the amounts of ThUS\$ 931, ThUS\$ 466 and ThUS\$ 466. Unable to predict the outcome of the appeal process.	46,566
Aerolinhas Brasileiras S.A	Federal Justice.	0001872- 58.2014.4.03.6105	Is discussed the collection of court fines originally imposed and collected through administrative process 10831.005704/2006- 43. We obtained adverse decision administratively and are judicially discussing now.	First instance - pending Federal Union statement regarding our request for invalidation of the tax debt.	14,812
LATAM Airlines Group S.A.	Tenth Civil Court of Santiago.	C-32989-2011	Jara and Jara Limited company demanded LATAM Airlines Group S.A. based on the damage they have caused by fraud complaints filed against them in 2008, and were finally dismissed. They claim that the damage caused by LATAM Airlines Group S.A. affected their prestige and business continuity.	The trial is currently in first instance. LATAM Airlines Group S.A. has requested the abandonment of the procedure. The resolution of this incident is pending.	11,935

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Tam Linhas Aéreas S.A.	Court of the Second Region.	2001.51.01.012530-0	Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to raise the Air Fund.	Unfavorable court decision in first instance. Currently expecting the ruling of the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered by US\$ 97 million which is revealed in more detail in Note 23.	120,305
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	16643.000087/2009-36	Notice of Violation to the requirement to pay the Social Contribution on Liquid Profit ("CSL").	Decisions of first and second administrative instance adverse to the interests of the company. Currently expecting the result on the new appeal filed by the company are expected.	29,553
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.725950/2011-05	Compensation credits of the Social Integration Program (PIS) and Contribution for Social Security Financing (COFINS).	Court decision was unfavorable to the interests of the company, which was appealed. At present, pending the trial of the appeal, the Board of Tax Appeals (CARF).	27,169

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Tam Linhas Aéreas S.A.	6th Rod Treasury of San Pablo.	0012938- 14.2013.8.26.0053	Lawsuit filed by the tax authority imputing to TAM the Service Tax on amounts paid to Infraero, according to a change in applicable law.	The application for interlocutory appeal with preliminary injunction was granted, suspending the accrual of tax credits derived from the file infringement n. 66233992, 66234000 and 66234026. On October 3 <sup>rd</sup> 2014, the Municipal Government of Sao Paulo presented opposed bill. Currently awaiting trial on the merits of the appeal mentioned.	13,565
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	16643.000085/2009-47	File demanding the recovery of income tax and social contribution on net profits (CSL) derived from royalties and costs of using the TAM brand. .	First decision unfavorable to the interests of the company instance. Currently expecting ruling on the appeal filed by the company on March 15, 2012.	13,079
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10831.012344/2005-55	Auto infringement presented to demand the import tax (II), the Social Integration Program (PIS) Contribution for Social Security Financing (COFINS) arising from the loss of international unidentified cargo.	Partially favorable decision in the first instance 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 motion for clarification with the opposition of the company.	10,521
Tam Linhas Aéreas S.A.	Department of Finance of the State of Sao Paulo.	3.123.785-0	Infringement notice to demand payment of the tax on the circulation of goods and services (ICMS) regulating the import of aircraft.	Currently awaiting the decision on the appeal filed by the company.	10,925

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Tam Linhas Aéreas S.A.	1st Civil Court of the District of Goiânia/GO.	200702435095 (ordinary)	Lawsuit filed by a former TAM sales representative that requires compensation for moral and material damages resulting from the termination of his contract as sales representative.	Currently undergoing liquidation sentencing and pending term expert witness.	9,655
Aerovías de Integración Regional, AIRES S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01	The July 30 <sup>th</sup> , 2012 LAN COLOMBIA AIRLINES initiated a legal process in Colombia against Regional One INC and Volvo Aero Services LLC, to declare that these companies are civilly liable for moral and material damages caused to LAN COLOMBIA AIRLINES arising from breach of contractual obligations of the aircraft HK-4107. The June 20 <sup>th</sup> , 2013 AIRES SA And / Or LAN AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LAN COLOMBIA AIRLINES customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.	The process in Colombia is pending resolution of preliminary objections filed by the defendant. The Federal Court ruled on March 26 <sup>th</sup> , 2014 and approved the request from LAN AIRLINES COLOMBIA to suspend the process in the U.S. as the demand in Colombia is underway. Additionally, the U.S. judge closed the case administratively. Regional One appealed this decision to the Federal Court, and in September 2014 the Court ordered the parties to reconcile, process that is currently underway.	12,443



<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Tam Linhas Aéreas S.A.	Department of Finance of the State of Rio de Janeiro.	03.431129-0	The State of Rio de Janeiro requires VAT tax credit for the purchase of kerosene (jet fuel). According to a report, the auditor noted that none of the laws of Rio de Janeiro authorizes the appropriation of credit, so the credit was refused and demanded tribute.	Objection was filed on December 12 <sup>th</sup> , 2013. Currently, waiting for the trial of the first administrative instance.	92,881
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.722.355/2014-52	On August 19th , 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.	An administrative objection was filed on September 17th 2014. Currently awaiting trial.	183,191
Tam Linhas Aéreas S.A.	Department of Finance of the State of Sao Paulo	4037054-9	On September 20th, 2014 we were notified that the Department of Finance of the State of São Paulo filed an infringement lawsuit for non-payment of tax on the circulation of goods and services relating to telecommunications services ICMS.	The objection is being prepared. The protocol will take place until next October 20th, 2014.	10,556
Tam Linhas Aéreas S.A.	Labor Court of Porto Alegre.	0001611- 93.2012.5.04.0013	Civil Action of Ministry of Labor that requires the granting of black shoes, belts and socks for workers who wear uniforms.	Pending the formalization of agreement for the beginning of the concession of shoes to employees. The process will be completed in the coming months.	10,774 Approximate value / estimated
Aerolinhas Brasileiras S.A.	Labor Court of Campinas.	0010498- 37.2014.5.15.0095	Lawsuit filed by the National Union of aeronauts, requiring weekly rest payment (DSR) scheduled stopovers, displacement and moral damage.	Trial in initial stage.	21,212 Approximate value / estimated

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Aerolinhas Brasileiras S.A.	Labor Court of Manaus.	0002037- 67.2013.5.11.0016	Lawsuit filed by the Union of Manaus Aeroviaros requiring assignment of hazard to ground workers (AEROVIARIOS).	Process in the initial phase. The value is in the calculation stage by the external auditor.	Undetermined

- Governmental Investigations. The authorities in Chile and the United States are currently investigating payments by LATAM Airlines Group S.A. (formerly LAN Airlines S.A.) in 2006-2007, to a consultant who assisted in the resolution of labor issues in Argentina. In connection with the above, the Company has hired lawyers in Chile and the United States, and in June 2011 voluntarily reported this situation to the Securities and Exchange Commission and the Justice Department of the United States. The Company is cooperating with the investigation in Chile and the United States, which considers the review being carried out by the authorities of that country regarding possible violations of the applicable laws and regulations of the United States of America. Presently the Company cannot predict the results in the matter; nor estimate or range the potential losses or risks that may eventually come resulting from the way in which this matter is finally resolved.
- In order to deal with any financial obligations arising from legal proceedings in effect at September 30, 2014, whether civil, tax, or labor, LATAM Airlines Group S.A. and Subsidiaries, has made provisions, which are included in Other non-current provisions that are disclosed in Note 23.
- The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

## NOTE 34 - 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 September 30, 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 September 30,	As of December 31,
		<u>2014</u>	<u>2013</u>
		Unaudited	
ACS Aircraft Finance Bermuda Ltd. - Aircastle (WFBN)	Boeing 737	-	1
AerCap Global (AerCap)	Boeing 767	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
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	8	10
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A330	-	2
GFL Aircraft Leasing Netherlands B.V. (AerCap)	Airbus A320	1	-
GFL Aircraft Leasing Netherlands B.V. (GECAS)	Airbus A320	-	1
International Lease Finance Corporation	Boeing 737	-	1
International Lease Finance Corporation	Boeing 767	-	1
International Lease Finance Corporation	Airbus A320	-	1

Lessor	Aircraft	As of September 30,	As of December 31,
		2014 Unaudited	2013
KN Operating Limited (NAC)	Bombardier Dhc8-400	-	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
Orix Aviation Systems Limited	Airbus A320	2	3
Pembroke B737-7006 Leasing Limited	Boeing 737	-	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 A320	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
Volito November 2006 AB	Airbus A320	2	2
Wells Fargo Bank North National Association (ACG)	Airbus A319	-	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	5	10
Wells Fargo Bank Northwest National Association (AerCap)	Boeing 787	2	-
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. (DVB Merx)	Boeing 767	1	-
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 767	3	4
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 777	1	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>116</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 September 30, 2014 ThUS\$ Unaudited	As of December 31, 2013 ThUS\$
No later than one year	489,506	475,762
Between one and five years	1,213,989	1,101,741
Over five years	446,459	335,019
Total	<u>2,149,954</u>	<u>1,912,522</u>

The minimum lease payments charged to income are the following:

	For the 9 months ended September 30, 2014 ThUS\$ Unaudited		For the 3 months ended September 30, 2014 ThUS\$ Unaudited	
	2014 ThUS\$	2013 ThUS\$	2014 ThUS\$	2013 ThUS\$
Minimum operating lease payments	<u>392,815</u>	<u>315,360</u>	<u>131,742</u>	<u>116,147</u>
Total	<u>392,815</u>	<u>315,360</u>	<u>131,742</u>	<u>116,147</u>

In the first quarter of 2013, returned an Airbus A320-200, while during the second quarter of 2013 two Airbus A319-100, one Airbus A320-200 and one Bombardier Dhc8-200 were returned as their leasing contracts had ended. During June 2013 the contracts system applied to ten Airbus A330-200 aircraft were changed from financial leasing to operative leasing, with each aircraft being leased for a period of forty months. During the third quarter of 2013, two Airbus A320-200 aircraft were leased for a period of 8 years each, one Boeing 787-800 aircraft was leased for a period of 12 years and two Boeing 777-300ER aircraft were leased for a period of 5 years each. Moreover, one Airbus A320-200, two Boeing 767-300ER aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, during July of 2013 two Bombardier Dhc8-200 aircraft were acquired on leasing. In the fourth quarter of 2013, three Airbus A320-200 aircraft were leased for a period of eight years each, one Boeing 787-800 aircraft was leased for a period of twelve years. Moreover, two Airbus A320-200, one Airbus A319-100, one Airbus A340-300 and one Boeing 737-700 aircraft were returned.

During the first quarter of 2014, two Airbus A320-200 aircraft were acquired and two Airbus A321-200 aircraft were leased for a period of 8 years each. Moreover, two Boeing 737-700 aircraft, one Boeing B767-300F aircraft, one Boeing 767-300F aircraft, one Airbus A340-300 aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, as a result of its sale and subsequent lease, during March 2014 four Boeing 777-300ER aircraft were added as operative leasing, with each aircraft being leased for periods between four and six years each.

During the second quarter of 2014, were added one Airbus A320-200 aircraft and one Boeing 787-800 aircraft by leasing them for a period of 8 and 12 years, respectively. For other hand, one Bombardier Dhc8-400 aircraft, four Airbus A320-200 aircraft, seven Airbus A330-200 aircraft and three Boeing 737-700 aircraft were returned.

In the third quarter of 2014, were added one Airbus A320-200 aircraft and one Boeing 787-800 aircraft by leasing them for a period of 8 and 12 years, respectively. For other hand, one Bombardier Dhc8-400 aircraft, two Airbus A319-100 aircraft and one Boeing 767-300ER aircraft were returned.

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 September 30, 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.	Two letter of credit	3,240	Mar 26, 2015
GE Capital Aviation Services Limited	LATAM Airlines Group S.A.	Six letter of credit	14,834	Jul 31, 2015
GE Capital Aviation Services Limited	Lan Cargo S.A.	Three letter of credit	10,435	Feb 4, 2015
International Lease Finance Corp	LATAM Airlines Group S.A.	Four letter of credit	1,700	Dec 4, 2014
ORIX Aviation System Limited	LATAM Airlines Group S.A.	One letter of credit	3,255	Nov 29, 2014
TAF Mercury	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 19, 2014
TAF Venus	LATAM Airlines Group S.A.	One letter of credit	4,000	Jul 13, 2015
Wells Fargo Bank Northwest, National Association	Lan Cargo S.A.	One letter of credit	2,530	Apr 25, 2015
Baker & Spice Aviation Limited	Tam Linhas Aéreas S.A.	One letter of credit	19,580	Jan 31, 2015
BOC Aviation (USA) Corporation	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Nov 16, 2014
Cit Aerospace International	Tam Linhas Aéreas S.A.	Five letter of credit	22,995	Apr 25, 2015
DVB Group Merchant Bank (Asia) Ltd.	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Nov 16, 2014
MASL	Tam Linhas Aéreas S.A.	Three letter of credit	2,124	Dec 4, 2014
PK Airfinance US, Inc.	Tam Linhas Aéreas S.A.	One letter of credit	1,600	Jan 5, 2015
Royal Bank Of scotland Aerospace	Tam Linhas Aéreas S.A.	One letter of credit	8,939	Dec 4, 2014
SMBC Aviation Capital Ltd.	Tam Linhas Aéreas S.A.	Two letter of credit	18,532	May 4, 2015
Wells Fargo Bank Northwest, National Association	Tam Linhas Aéreas S.A.	Two letter of credit	6,000	Feb 23, 2015
			<u>138,264</u>	

## (c) Other commitments

At September 30, 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	10,429	Feb 11, 2015
Deutsche Bank A.G.	LATAM Airlines Group S.A.	Three letter of credit	40,000	Mar 31, 2015
Dirección General de Aeronáutica Civil	LATAM Airlines Group S.A.	Sixty six letter of credit	17,559	Dec 31, 2014
Dirección Nacional de Aduanas	LATAM Airlines Group S.A.	Four letter of credit	1,234	Dec 31, 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	LATAM Airlines Group S.A.	One letter of credit	5,500	Jun 18, 2015
Metropolitan Dade County	LATAM Airlines Group S.A.	Five letter of credit	1,675	May 31, 2015
The Royal Bank of Scotland plc	LATAM Airlines Group S.A.	Three letter of credit	28,000	Jan 8, 2015
Washington International Insurance	LATAM Airlines Group S.A.	Two letter of credit	2,100	Jan 9, 2015
Wells Fargo Bank	LATAM Airlines Group S.A.	Four letter of credit	5,160	Mar 13, 2015
Westpac Banking Corporation	LATAM Airlines Group S.A.	One letter of credit	1,376	Apr 4, 2015
6ª Vara de Execuções Fiscais Federal de Campo Grande/MS	Tam Linhas Aéreas S.A. (Pantanal)	One insurance policies guarantee	30,910	Jan 4, 2016
8 Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A. (Pantanal)	One insurance policies guarantee	14,992	Apr 12, 2015
Fundação de Proteção e Defesa do Consumidor Procon	Tam Linhas Aéreas S.A.	One insurance policies guarantee	2,390	May 16, 2016
União Federal	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,033	Jul 24, 2015
Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	3,189	Mar 29, 2016
Vara De Execuções Fiscais Estaduais de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	14,998	Apr 16, 2015
			<u>191,510</u>	



## NOTE 35 - TRANSACTIONS WITH RELATED PARTIES

## (a) Transactions with related parties for the period ended September 30, 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	29
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor	CLP	172
					Services received	CLP	(675)
					Services received	US\$	(594)
78.591.370-1	Bethia S.A y filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	(3)
					Revenue from services provided	CLP	1,341
					Services received	CLP	(629)
79.773.440-3	Transportes San Felipe S.A	Other related parties	Chile	Transport	Revenue from services provided	CLP	20
					Services received	CLP	(71)
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provided	CLP	133
65.216.000-K	Comunidad Mujer	Other related parties	Chile	Promotion and training of women	Revenue from services provided	CLP	9
					Services received	CLP	(12)
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Revenue from services provided	ARS	10
					Leases as lessor	US\$	(250)
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	Transport	Services received	BRL	(2)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Other related parties	Brazil	Transport	Revenue from services provided	BRL	(13)
Foreign	Prismah Fidelidade S.A.	Joint Venture	Brazil	Marketing	Liabilities settlement on behalf of the entity for the related party	BRL	(158)

## (b) Transactions with related parties for the period ended September 30, 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</u>
							ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	Investments	Revenue from services provided	CLP	12
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor	CLP	197
					Services received	CLP	(1,013)
					Services received	US\$	(828)
65.216.000-K	Comunidad Mujer	Other related parties	Chile	Promotion and training of women	Revenue from services provided	CLP	11
					Services received	CLP	(11)
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	(1)
					Revenue from services provided	CLP	2,175
					Services received	CLP	(573)
					Settlement of Property plant and equipment (1)	CLP	14,217
79.773.440-3	Transportes San Felipe S.A.	Other related parties	Chile	Transport	Revenue from services provided	CLP	8
					Services received	CLP	(148)
					Commitments made on behalf of the entity	CLP	(89)
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provided	CLP	183
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Revenue from services provided	US\$	5
					Leases as lessor	US\$	(275)
Foreign	Jochmann Participacoes Ltda.	Other related parties	Brazil	Transport	Services received	US\$	(21)
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	Transport	Services received	BRL	(1)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Other related parties	Brazil	Transport	Revenue from services provided	BRL	383
					Commitments made on behalf of the entity	BRL	(19)
Foreign	Prismah Fidelidade S.A.	Joint Venture	Brazil	Marketing	Liabilities settlement on behalf of the entity for the related party	BRL	(524)

(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 9 months ended September 30,		For the 3 months ended September 30,	
	2014	2013	2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
	Unaudited			
Remuneration	14,903	11,361	4,755	2,746
Management fees	628	258	180	108
Non-monetary benefits	827	379	213	127
Short-term benefits	13,914	16,808	4,569	5,600
Share-based payments	13,091	13,389	4,300	4,495
Total	<u>43,363</u>	<u>42,195</u>	<u>14,017</u>	<u>13,076</u>

## NOTE 36 - 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 on December 21, 2011, the Company's shareholders approved, among other matters, an increase of capital of which 4,800,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, pursuant to Article 24 of the Companies Law. In this compensation plan no member of the controlling group would be benefited. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the following schedule of accrual and is related to the permanence condition of the executive as employee of the Company at these dates for the exercise of the options:

<u>Percentage</u>	<u>Period</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.	
		Number of share options
	Share options in agreements of share- based payments, as of January 1, 2013	-
	Share options granted	4,497,000
	Share options in agreements of share- based payments, as of December 31, 2013	4,497,000
	Share options in agreements of share- based payments, as of January 1, 2014	4,497,000
	Share options granted	160,000
	Share options in agreements of share- based payments, as of September 30, 2014 (Unaudited)	4,657,000

These options have been valued and recorded at fair value at the grant date, determined by the "Black-Scholes-Merton". The effect on income to September 2014 corresponds to ThUS\$ 12,900 (ThUS\$ 12,900 at September 30, 2013).

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\$ 17.57	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 subsidiaries, in conformity with the stipulations established in Article 24 of the Corporations Law. Regard to this compensation plan, not exist yet a defined date for implementation. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the following schedule of accrual and is related to the permanence condition of the executive at these dates for the exercise of the options:

<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 September 30, 2014, which amounted to 96,675 shares and 732,182 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	12-28-2005	11-30-2006	12-14-2007	05-28-2010	09-27-2007	04-01-2010	04-01-2010	
Outstanding option number	-	-	-	96,675	-	-	-	96,675

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	10-04-2010	11-08-2010	04-16-2012	10-04-2010	10-04-2010	10-04-2010	04-16-2012	11-20-2013	
Outstanding option number	7,760	-	143,508	294,694	80,645	-	-	205,575	732,182

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.	-	96,675
Multiplus S.A.	-	732,182

In accordance with IFRS 2 - Share-based payments, the fair value of the option must be recalculated and recorded as a liability of the Company once payment is made in cash (cash-settled). The fair value of these options was calculated using the Black-Scholes method, where the cases were updated with information LATAM Airlines Group S.A. Not exist value recorded in liabilities at September 30, 2014 and in income ThUS\$ 191 (ThUS\$ 490 at September 30, 2013).

## NOTE 37 - THE ENVIRONMENT

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

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

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

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

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

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

Thus, during the first half of the year, we have worked in the following initiatives:

- Advance in the implementation of an Environmental Management System for main operations.
- 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.

As achievement this year, LATAM Airlines Group was selected in the Dow Jones Sustainability index, in global category, emerging as a leader in the global aviation industry its strategy on Climate Change and its efficient operation (Eco-Efficiency).

At September 30, 2014 the Environment Management has spent US\$227,515 (US\$ 386,822 at September 30, 2013). The total amount of the Environmental Division expenses for 2014 is US\$ 468,800.

## NOTE 38 – EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

Subsequent at September 30, 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 September 30, 2014, have been approved by the Board of Director's in an extraordinary meeting held on November 12, 2014.