



Annual Report **LATAM 2015**

UMAYO LAKE, PERU.

Annual Report LATAM 2015

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| MESSAGE FROM
THE CHAIRMAN OF
THE BOARD & CEO



| DESTINATIONS



| FLEET



| OUR
HISTORY



| OUR
PEOPLE



| COMPANY
INFORMATION



| BUSINESS
STRATEGY



Focusing on customer experience

Dear shareholders,

2015 was the most challenging year in the history of LATAM. In virtually every market we operate, local currencies depreciated; thus impacting our revenues and costs related to the import of goods and services. Moreover, we faced a huge economic and political crisis in Brazil, our largest market; which strongly impacted the civil aviation sector. The country faced the largest recession of its modern history; resulting in a contraction of GDP, increased unemployment and a fall in real wages. This has had a significant impact on the wealth of individuals and companies, with the troubles in the political environment affecting expectations, thus exacerbating the damage to the macroeconomic scenario.

This highly challenging scenario in our largest market explains the 219 million dollars loss that LATAM reported in 2015, which could have been worse if it wasn't mitigated by the strong performance of our Spanish speaking markets. It's worth highlighting that LATAM met its operating margin forecast of 5%, with the most adverse impact on currency depreciation, mainly in Brazil.

Notwithstanding the above, we retained our leadership in the main markets in which we operate, such as Chile and Peru. In 2015 we reduced our seat capacity (ASKs) by 2.5% in Brazil's domestic operation and renegotiated our aircraft deliveries, which resulted in the cancellation of nearly 40% of our fleet commitments through 2018 and an investment reduction of 2.9 billion dollars. We are aware of future challenges, and in 2016 we will continue to adapt our network with an important additional reduction of 8% to 10% in seat capacity in the Brazilian domestic market as well as downsizing the international market from Brazil, especially to the United States. Therefore, 2015 will be remembered as the year where LATAM demonstrated its ability to respond to challenging economic scenarios.

We continue to consolidate our leadership in our main hubs – Guarulhos, Brasilia, Lima and Santiago – which will enable us to develop our network and offer the broader range of destinations to our passengers. Proof of this is the thirteen regional and international routes that were announced during the year, including connections between Brasilia and Montevideo, Punta Cana and Buenos

WELCOME
MESSAGE

| OUR COMPANY · MESSAGE FROM THE CHAIRMAN OF THE BOARD



WELCOME
MESSAGE

Aires and Lima to Montevideo, Antofagasta and Washington D.C.

I would like to highlight the 'joint business agreements' negotiated in 2015 between LATAM and IAG (controlling holding company of British Airways and Iberia) and American Airlines (AA), one of the leading airlines in the United States. Once approved by the corresponding authorities, we will have access to a broad network of connections in important hubs in the United States and Europe. With these agreements, we have the possibility to open a large network of destinations and offer further advantages to our customers, such as the unique ticket sales and improved travel experiences. This was only possible because of our unrivalled flight network and connections within South America.

Finally, I wouldn't like to end this message with announcing our new brand, LATAM Airlines. Since the beginning we knew that the best way to merge the different hispanic and Brazilian cultures would be through a new brand, a decision that we have arrived

to after long discussions and breaking of paradigms, because a new brand has never been created from a merger or association of airlines in the history of aviation. It wasn't an easy decision, because the replacement of powerful and historic brands such as LAN and TAM required courage. It was also a logical decision, because the merger will generate economies of scale in the long run with the process simplification in virtually every area.

In 2016, our plan is to expand our leading position in Latin America, flying to new destinations with our unique identity and the same strength to overcome problems and grow in a profitable way.

Mauricio Amaro
Chairman of the Board
LATAM Airlines Group



Focusing on customer experience

Dear shareholders,

The consolidation of LATAM as one of the leading airlines in Latin America in terms of quality and service has been a priority over the last few years. We believe that the only way to be successful is to offer a distinctive offering to our passengers. Being only a step away from a huge accomplishment – the launch of our new brand – we are still convinced that we have the right strategy to achieve our goal of positioning LATAM among the best airlines in the world.

I would like to take this opportunity to inform you about all the work we've done over the last year. Introducing LATAM has meant change; changes that have opened a world of possibilities and allowed us to reestablish a new culture with the customer and place them at the center of every strategic plan. LATAM has not only brought together the best of LAN and TAM stories, but also it has amplified them on a large scale to deliver our clients much more than the sum of their parts.

We have made these changes in a highly complex and challenging regional scenario, which encourages us to be efficient, take care of our cost structure and to prioritize our strategies. We have focused on initiatives that allow us to build a distinctive offer. We offer the best network of destinations, a state-of-the-art digital experience and a team that directs its efforts towards satisfying our customers; which will guarantee our future growth.

In this vein, we continue working to enhance our flight network and connections within South America, thus offering our passengers a unparalleled connectivity in the region. The company will continue to focus on strengthening our main hubs, allowing us to reinforce the group's connectivity in Latin America, North America, the Caribbean, Europe and now Africa.

During 2015, we invested more than US\$50 million in the implementation of digital advances that have allowed us to improve the passenger flight experience, offer better service before and after the flight and im-



WELCOME
MESSAGE

prove our how our employees work. Through this investment we look forward to creating a unique flight experience and a competitive advantage for the Company. Some of the innovations that stood out during the year were: the implementation of a new onboard wireless entertainment system that enables passengers to watch movies, series and videos through their own mobile devices; as well as a new smartphone application, offering electronic boarding passes. Additionally, three thousand tablets were delivered to LATAM employees; to help improve our service quality, whether directly or indirectly.

I also want to highlight our daily commitment to be a transparent and responsible company to our customers and investors and at the same time provides a valuable contribution to Latin America. For the second consecutive year, we were one of only two airlines worldwide to be listed in the Dow Jones World Sustainability Index, placing us among a select group of companies for sustainability based on long-term economic, social and environmental criteria.

We have worked with conviction and passion, giving our best to get to this stage. Along with thanking our shareholders, I would like to acknowledge over 50,000 people from different nationalities that work for the company, whose effort and dedication has been crucial for this unique and historic project. LATAM is a global operator and is preparing to compete in the major leagues of the airline business worldwide, therefore generating value for our shareholders, stakeholders and the society as a whole.

Enrique Cueto
CEO of LATAM Airlines Group



The largest airline group in the region

LATAM Airlines Group S.A. (from now on “LATAM”, “LATAM Group” or “the Company”) is the largest air transport group in Latin America, with domestic operations in six countries in South America – Argentina, Brazil, Chile, Colombia, Ecuador and Peru – which together represents nearly 90% of the total traffic in the region. This diversification represents a unique competitive advantage in the region, being able to provide the best connectivity within the subcontinent, and to the world and vice versa, providing services to nearly 137 destinations in 25 countries in the world.

During 2015, the Company announced that LATAM is the only corporate identity brand under which all the airlines that belong to the Company will operate, which means that the brands LAN and TAM will disappear. Starting from the first semester of 2016 and gradually, the new corporate image will be displayed in physical spaces, aircrafts, commercial offices, web pages and uniforms, among others, and the estimation is that the brand unification process will be completed in 2018. This decision seeks to combine the best of the two brands and to have one team that identifies with one single airline to face the customers and also internally within the company.

The goal of LATAM is to be positioned among the three most important airline groups worldwide in 2018, and for this purpose it has a clear and defined strategy, based on five critical factors, within which we highlight the network leadership, leader brand and customer experience, and cost competitiveness, pillars that the company has

defined as non-negotiable. As such, despite the challenging economic scenario observed in the last year, which has been reflected in the weakening of regional air transport demand, LATAM maintained its strategic plans, thus convinced of the solid and long-term vision of the strategy.

Through the permanent growth of its flight network and connections within South America, to and from the rest of the world, LATAM seeks to provide the best connectivity for its customers. Key in this process is the strengthening of its main hubs in the Spanish speaking countries, with special emphasis on the Guarulhos airport in Brazil, which stands as the main entry point in the region. Additionally, there are multiple alliances and commercial agreements subscribed with the main operators of the industry worldwide, which enables the Company to offer more destinations, better schedules, connections and prices to passengers, reaching nearly 121 additional destinations through these agreements. Worth is to highlight that every passenger airlines that belong to LATAM are member of oneworld, the global alliance comprised by the most prestigious airlines in the world.

In terms of service, the focus is to offer passengers the best travel experience and to consolidate its brand leadership in the region. LATAM commitment is to continue investing on mobile technologies and service digitalization, to offer a differentiated value proposal and to position LATAM as the preferred airline in South America, where 2/3 of the passengers in


 | BUSINESS
 STRATEGY

the region will choose as their preferred airline in 2018 (today, one out of two South American passengers chooses one of the Group's airlines).

Other important aspect of LATAM's strategy is to have a competitive cost strategy, which is considered a critical factor in this industry to compete profitably. At present, the Company is committed to follow its savings plan, in order to obtain savings equivalent to 5% of operational costs of the Company in 2018. These savings are in addition to the costs optimization related to the fleet optimization plan.

As of December 2015, for its operations LATAM has a fleet of 331 aircrafts, being among the most modern and young fleets worldwide. During this period, the company continued moving forward with the fleet renovation program started in 2012, which consists on the gradual phase out of older aircrafts and their replacement with more efficient and largest aircrafts, and allocating the most adequate ones for each market. This allows the Company to open new routes in a profitable way, and to optimize the fleet and network yields.

Additionally, it's important to highlight that LATAM carries out a unique business model, based on the successful combination of passengers and cargo operations, which enables the Company to maximize the passengers aircrafts occupancy using the storage space (bellies) to transport cargo, together with the use of specially dedicated freighters, thus diversifying the sources of revenues. The

flexibility of this model enables the Company to make their routes profitable, decrease seasonal effects and increase load factors. As of December 2015, 83% of its business came from passengers' business and the remaining 13% from cargo operations, among others.

A sustainable business model supports all the work carried out by the LATAM GROUP with their different stakeholders. This vision is based on its relationships' dynamics and businesses that last over time and generates value for the society as a whole. For LATAM, this is the only possible way to move forward to build its commitment for the future, and is expressed in their daily work.

In this line, LATAM is constantly identifying relevant topics that may impact the Company as well as its stakeholders, which enables it to manage critical issues and establishes action plans in due time to mitigate the main impacts and/ or risks, including their monitoring and yearly follow up, and the dissemination of the results through the sustainability report.

In 2015 different elements were taken into account, such as eco-efficiency management, climate change mitigation, noise reduction, connectivity and relationship with the customer, health and safety on air and ground, talent retention, rotation control, relationship with the government and regulatory specificities, economic and financial sustainability, promotion of sustainable tourism and sustainable management of suppliers.

| Our story is about
| coming together



1975

Foundation of TAM Transportes Aéreos Regionais by Capitan Rolim Adolfo Amaro.

1976

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

1983

Constitution of Linea Aerea Nacional - Chile Limitada, through CORFO.

1985

LAN becomes a joint stock company.

1986

Acquisition by TAM of VOTEC-Brasil Central Linhas Aéreas, another regional airline operating in the north and center of the country.

1989

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

Our story is about
coming together



1990

Brasil Central renamed TAM-Transportes Aéreos Meridonais.

1993

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

1994

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

1996

Acquisition by TAM of Lapsa airline from the Paraguayan government and creation of TAM Mercosur; start of São Paulo-Asunción flights.

1997

Acquisition by TAM of Lapsa airline from the Paraguayan government and creation of TAM Mercosur; start of São Paulo-Asunción flights.

1998

Arrival of first A330; first TAM international flight from São Paulo to Miami.

| Our story is about
| coming together



1999

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

Start of TAM services to Europe through a code sharing agreement with Air France to Paris Charles de Gaulle.

2000

LAN joins the oneworld® alliance.

2001

LAN Alliance with Iberia and inauguration of Miami cargo terminal / Creation of TAM Technology Center and Service Academy in São Paulo.

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

2002

LAN Alliance with Qantas and Lufthansa Cargo.

2003

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

2004

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

Start of TAM flights to Santiago.

Our story is about
coming together



2005

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

TAM S.A. lists on the BOVESPA stock market; start of flights to New York and Buenos Aires.

2006

Launch of new LAN Premium Business Class.

TAM S.A. lists on the NYSE / Start of flights to London and, through agreement with Air France, to Zurich and Geneva.

2007

Implementation of low-cost model in domestic markets; capital increase of US\$320 million; purchase orders for 32 Boeing 787 Dreamliners.

Lanzamiento ruta Milán y Córdoba. Autorización de ANAC para empezar vuelos a Madrid y Frankfurt.

2008

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

TAM receives its first Boeing 777-300ER.

2009

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

Launch of Multiplus Fidelidade; Acquisition of Pantanal Linhas Aéreas.

2010

Acquisition of Colombia's Aires airline.

TAM officially joins Star Alliance.

Our story is about
coming together



2011

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

2012

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

2013

Capital increase for US\$ 940.5 million.

2014

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

LATAM launches its 2015-2018 Strategic Plan aiming to become one of the 3 most important airline groups in the world.

2015

LATAM is Born: The New Brand for LAN Airlines, TAM Airlines and Affiliates.

Issuance of structured EETC's totaling US \$1bn: A first in Latin America.

New fleet to provide the best service

LATAM's fleet plan main objective is to maintain leadership in terms of efficiency throughout the constant aircraft renovation and the incorporation of high performance technologies, thus improving the product and contributing to care for the environment.

In 2015 the Company operated a fleet composed of 327 aircrafts, with an average age of less than 7 years, being among the most modern and youngest fleets globally. In this period the Company incorporated 23 larger and more efficient aircrafts, the most prominent being the Airbus A321, Boeing 787-9 and the first Airbus A350. In parallel, the phase out plan for older models continued, with the phase out of 19 aircrafts, being among them the last seven Dash Q200 aircrafts, three A340 aircrafts and three A330 aircrafts, the latter also will be completely phased out from the fleet in 2016.

Looking forward to develop its short-haul passenger operations – flights on domestic routes and regional routes within South America –, in 2015 LATAM utilized a fleet of 240 aircrafts, mainly from the Airbus A320 family. In this period, LATAM received 15 models A321, the largest version of the family, thus summing up 36 aircrafts by the end of the period.

LATAM's medium-term plan on short haul routes is to have a fleet comprised exclusively by aircrafts from the A320 family, with focus on A321neos and A320neos, whose use represents cost savings of 5.4% in comparison to the A320s. Additionally, the A320neo is a new option within the A320 family with a more efficient engine and new sharklets (advanced te-

chnology devices installed in the wings of the aircraft to reduce its aerodynamic resistance), therefore providing fuel savings of nearly 15% and reduction in emissions of 3,600 tons per aircraft per year. LATAM has placed orders for 67 modern aircrafts from the A320 family, and delivery will start from 2016 onwards.

In relation to its long-haul passenger operations, in this period the Company utilized a fleet of 76 aircrafts, two less than in 2014. This is defined by the LATAM's fleet plan that seeks to unify its aircraft fleet and increase capacity through the incorporation of larger and more modern models, with the purpose of maintaining leadership in efficiency. As such, in 2015 seven B787-9 aircrafts were incorporated to LATAM's fleet –medium-size equipment and wide fuselage, whose technology provides substantial improvement to the passenger's flight experience. Set up for 313 passengers (283 seats in Economy class and 30 seats in Premium Business class), the B787-9 model has 28% higher passenger capacity and 51% more capacity in cargo volume than the B767 model. Besides, its fuel consumption is 20% lower than similar aircrafts, and its CO₂ emissions are reduced in up to 20%. Worth is to mention that LATAM is the only airline that operates the 8 and 9 versions of the B787 Dreamliner in Latin America.

Additionally, in this period, the LATAM Fuel Efficiency Program was carried out, whose purpose is to reduce costs related to fuel consumption, improve efficiency and mitigate greenhouse gas emissions. Resulting from the implementation of various operational and te-



| FLEET

chnological projects, the Company decreased fuel consumption in 38 million gallons, which is equivalent to 360,000 tons of CO2 reduction, thus saving of US\$70 million for this concept only.

In its permanent concern for innovation and looking forward to offer the best passengers' flight experience, in 2015 the Company also announced the launching of new cabins for long-haul airplanes, thus being the 787-9 fleet the first one to incorporate it. The unified cabins from LAN and TAM are a concrete consequence of the merger of both companies. The new proposal was inspired on the colors and textures of the region, and pretends to show a balance between the passion of our cultures and the elegance of natural shades.

Likewise, one of the main achievements of the year was the arrival of the first Airbus A350, out of a total of 27 aircrafts of this model that LATAM has ordered. This aircraft was incorporated to TAM's fleet in December, setting a precedent for the incorporation of a new long-haul aircrafts to the Company's fleet, thus becoming the first airline in Latin America to operate with this equipment and fourth worldwide. The A350 model of TAM will start its commercial operation in April 2016 in the Sao Paulo-Madrid route, in addition to the Sao Paulo-Orlando route, in the second half of the year. The A350 model is a medium-haul aircraft that incorporates high technology, whose advantage is to have up to 24% less CASK when compared to similar size planes, such as the Airbus A330, and similar CO2 emissions reduction. The mo-

del is designed for 348 passengers, 318 in Economy class and 30 in Premium Business class, and offers new comfort level on-board, an extra wide cabin that provides more space to passengers for both categories.

With regards to the cargo business, the focus of the Company is to optimize the bellies usage of passengers' aircrafts. This plan considers the gradual reduction of the number of fully dedicated freighters. As such, LATAM finishes the year with an operational fleet comprised by 11 aircrafts, two less than the previous year, comprised by eight Boeing 767F and three Boeing 777F, the latter is the most modern fully dedicated freighter of its kind in the industry.

Worth is to mention that by the end of 2014 the Company signed a leasing contract for three B767F aircrafts to a cargo operator outside the region, which was in place in 2015, allowing the Company to better use its assets. Additionally, in this period LATAM signed a leasing contract for one of its B777 aircrafts, also with a cargo operator outside South America.

| MAINTENANCE

With facilities in Brazil and in Chile, the Maintenance, Repair and Revision unit of LATAM (MRO) is the unit responsible for heavy maintenance of the LATAM's aircraft and occasionally also provides services to third parties. In Brazil, the facilities are located in the São Carlos (SP/Brazil) Technological Center, in an area of 100,000-m² and its own 1,720-meter runway while the Chilean facility, at the San-



| FLEET



| OUR COMPANY · FLEET

tiago International Airport, in a 10,000-m² area. Both facilities provide 75% of the heavy maintenance required by the airline group. Services not provided by this unit are outsourced to some of MRO's partners around the world, such as Mexicana, Coopesa Eithad Airways and Tap Brasil.

LATAM's MRO unit is audited and certified by major international aviation authorities from the United States, Europe, Brazil, Chile, Argentina, Ecuador, Paraguay and Canada, among others, for Heavy Maintenance and Components Repair and Overhaul for the Airbus A320 and A330 families, Boeing 767s and 787s, ATR-42/72s and Embraer E-Jet 170/190s. The Company also has minor resources for repair and revision of Airbus A340 and Boeing 777 aircraft components.

In 2015, the MRO unit effectively used 1.23 million man-hours, which represented a 2.7% variation in relation to 2014, serviced 158 aircrafts of LATAM's fleet and repaired approximately 60 thousand components that were delivered for maintenance operation. In addition, the external suppliers network of MRO expanded, thus obtaining the successful first heavy maintenance of the B787 fleet at Eithad, Abu Dhabi's MRO, in the United Arab Emirates. Additionally, in this period new repair capacity was generated for the components repair of the new A350 fleet in San Carlos, Brazil, which will be part of LATAM fleet in the next years to come. Likewise, the MRO unit of LATAM installed the new onboard wireless entertainment system—LATAM Entertainment—, which is already

available in 73% of the short-haul fleet of LAN y TAM, process carried out in Chile, Brazil and also in external MROs.

Worth is to highlight that for over 5 years, LATAM's maintenance has production and support processes transformed through LEAN methodology, which from 2014 led to a new automation and integration of procedures phase through integrated information systems. This allows to improve the productivity levels of technical equipment as well as the response times against contingencies, besides providing simplification and robustness to the maintenance processes, thus making them more scalable y visible to the organization.

Together with the development of these computer systems, in 2015 the use of tablets was deepened in the maintenance network, and coverage reached all of the stations in the Spanish speaking countries where the Company operates. In 2015, 308 iPads were deployed in the maintenance network in these countries, covering a population of 1,195 technicians. The plan for 2016 is to deploy 322 additional iPads in Brazil, with the involvement of 1,282 additional technicians.

Among the highlights of the period, in July 2015, the completion of the new and modern maintenance hangar of the Company in the Miami international airport stands out, who strengthen Miami as a strategic facility in the northern hemisphere, thus complementing the facilities offer in Chile, Peru and Brazil. Built in a 6,140-m² area, the hangar and the adjacent infras-

tructure (workshop, warehouses and offices), required an investment of US\$ 16.4 million, being the first of the Group in the United States.



AS OF DECEMBER 31, 2015	Off-Balance	On-Balance	Total
 PASSENGER AIRCRAFT			
Airbus A319-100	12	38	50
Airbus A320-200	59	95	154
Airbus A321-200	10	26	36
Airbus A330-200	2	8	10
Airbus A350-900	-	1	1
Boeing 767-300	4	34	38
Boeing 777-300 ER	6	4	10
Boeing 787-8	4	6	10
Boeing 787-9	4	3	7
TOTAL	101	215	316
 CARGO AIRCRAFT			
Boeing 777-200F	2	2	4
Boeing 767-300F	3	8	11
TOTAL	5	10	15
TOTAL FLEET	106	225	331

Note: This table does include three B767-300F and on B777-200F that Latam is currently leasing to a third party.



| OUR COMPANY · FLEET

| NARROW BODY

AIRBUS A319-100

LENGTH	33.8 mts
WIDTH	34.1 mts
SEATS	144
CRUISING SPEED	830 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	70,000 kg



AIRBUS A320-200

LENGTH	37.6 mts
WIDTH	34.1 mts
SEATS	156-168-174
CRUISING SPEED	830 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	77,000 kg



AIRBUS A321-200

LENGTH	44.5 mts
WIDTH	34.1 mts
SEATS	220
CRUISING SPEED	830 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	89,000 kg



| WIDE BODY

AIRBUS A330-200

LENGTH	58.8 mts
WIDTH	60.3 mts
SEATS	223
CRUISING SPEED	872 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	230,000 kg



AIRBUS A350-900

LENGTH	66.8 mts
WIDTH	64.8 mts
SEATS	348
CRUISING SPEED	903 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	186,880 kg



BOEING 767-300

LENGTH	54.9 mts
WIDTH	47.6 mts
SEATS	221 - 238
CRUISING SPEED	851 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	186,880 kg



| OUR COMPANY · FLEET

WIDE BODY

BOEING 777-300 ER

LENGTH	73.9 mts
WIDTH	64.8 mts
SEATS	379
CRUISING SPEED	894 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	346,500 kg



| FREIGHTER

BOEING 777-200F

LENGTH	63.7 mts
WIDTH	64.8 mts
LOAD TIME	652.7 m3
CRUISING SPEED	894 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	347,450 kg



BOEING 787-8

LENGTH	56.7 mts
WIDTH	60.2 mts
SEATS	247
CRUISING SPEED	903 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	227,900 kg



BOEING 767-300F

LENGTH	54.9 mts
WIDTH	47.6 mts
LOAD TIME	445.3 m3
CRUISING SPEED	851 km/h
MAXIMUM WEIGHT AT TAKEN-OFF	186,880 kg



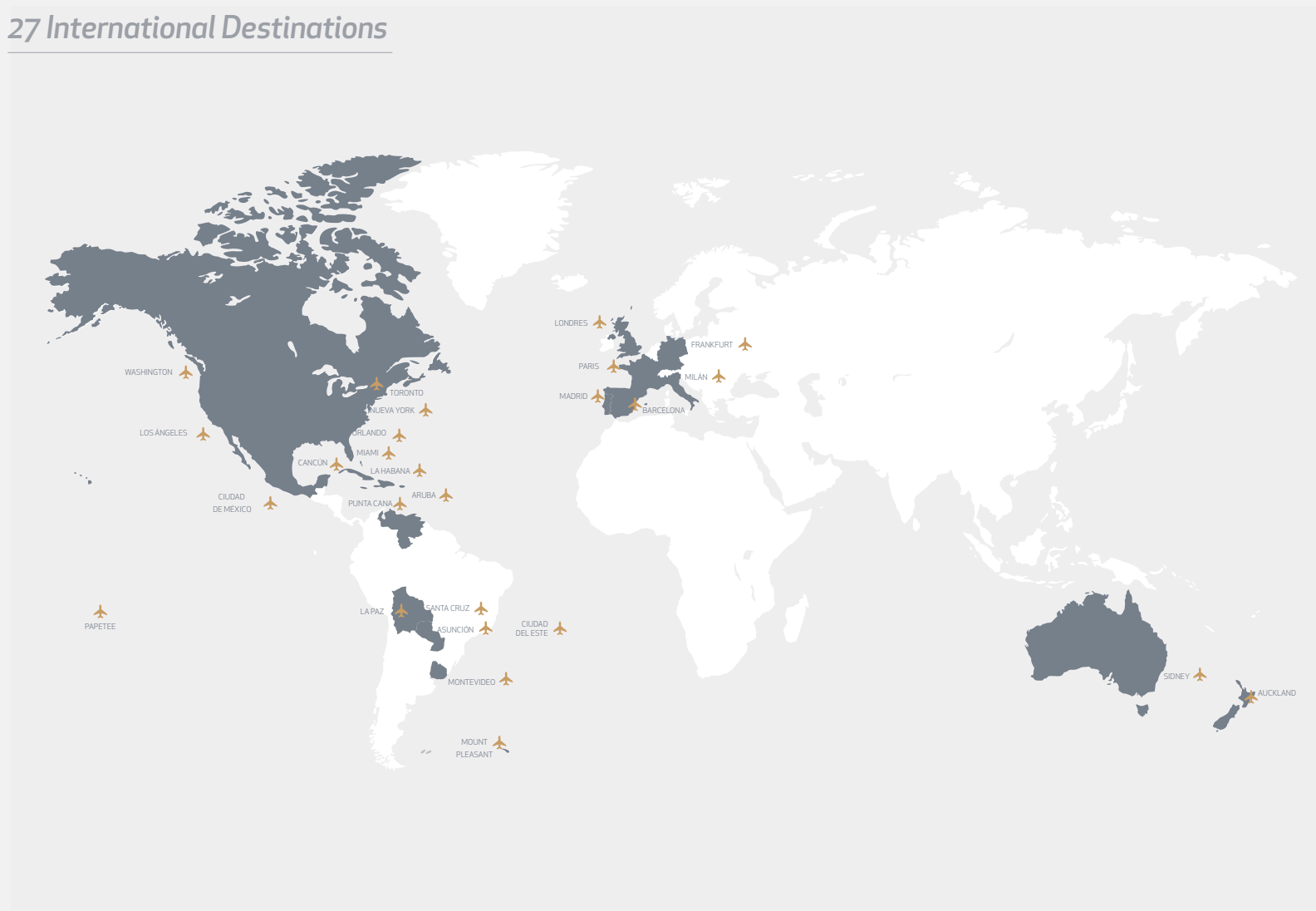
BOEING 787-9

LENGTH	62.8 mts
WIDTH	60.2 mts
SEATS	313
CRUISING SPEED	903 km/hr
MAXIMUM WEIGHT AT TAKEN-OFF	252,650 kg





27 International Destinations





| DESTINATIONS

14 Domestic Destinations Argentina





44 Domestic Destinations Brazil





15 Domestic Destinations Chile + Easter Island





I DESTINATIONS



14 Domestic Destinations Colombia





I DESTINATIONS

5 Domestic Destinations Ecuador

 GALÁPAGOS BALTRA ✈️
 GALÁPAGOS SAN CRISTÓBAL ✈️

QUITO ✈️

GUAYAQUIL ✈️

CUENCA ✈️



I DESTINATIONS

16 Domestic Destinations Peru





11 Cargo Only (International)





121 Codeshares



We have over
50 thousand
employees



| OUR PEOPLE

LATAM is a multinational and multicultural airline. As of December 2015 the Company's team was composed of 50,413 employees from 62 different nationalities across 26 different countries.

In this context, it's important to highlight the important role that the Human Resources area has played in the last three years, in terms of the mitigation of the impact that any organizational change might have on people's lives, specially taking into account the multicultural nature of the Company's employees.

During 2015, LATAM announced a new corporate culture, which defined the central values that inspire the job of the staff, thus establishing a common identity within the organization and facing the client. This corporate culture is funded in four key pillars, being the first one the "passion for security" (security is the main priority). Likewise, LATAM allocates special relevance to customer care, which requires a constant awareness of the customers' needs and to provide the best service. Within this context is the search of the excellence and constant improvement; and the fourth pillar is the passion for the team ("we work as one team only"), where each and every one of the members of the Company are recognized as one entity only in order to pursue the common goals.

With regards to the work force's security, in this period the Company implemented management tools designed to remove potential risks using rules, standards and procedures and its concern was to have the best indicators for this

field. Thanks to these measures, the subsidiary Andes -which operates every ground service for the aircrafts- in Chile reduced injury rate in 27%, thus generating direct savings for the Company of nearly US\$ 660 thousand per year.

Among the milestones of the period in terms of training, it should be noted the implementation of a new work model that centralizes the design of the training courses, both on-site and e-learning trainings, and the coordination and logistics tasks for the execution of every training for the LATAM Group. For this purpose, LATAM created the School of Excellence and the Shared Services Management.

In the first case, the objective of the centralization is to ensure quality and consistency of the Company's trainings, also to standardize the study programs and obtain efficiencies of the resources invested in the employees and additional costs related to the design of the training courses to solve common issues. In this context, 159 e-learning courses and 57 on-site courses were completed in the operational and commercial areas.

For its part, in the first stage the coordination and logistics for Chile and Brazil was centralized in the Shared Service Management. The objective of this initiative is to generate efficiencies through the standardization of tasks. Once the system is fully implemented, the second stage will be carried out, which consists on spreading out the coverage of the service to the rest of the countries where the holding operates.



| OUR PEOPLE

Additionally, in this period the Company designed and implemented workshops of corporate culture “Building LATAM: Our Purpose”, targeted to people that work at the call center areas, sales, airport and onboard service—over 30,000 employees—, as well as introductory courses for new employees from these areas. The most important and innovative aspect of this program is that speakers were executives from the Company.

In a complementary way, e-learning workshops were designed and carried out, whose objective was to provide basic management tools for leaders, in the topics related to recruitment interviews and feedback.

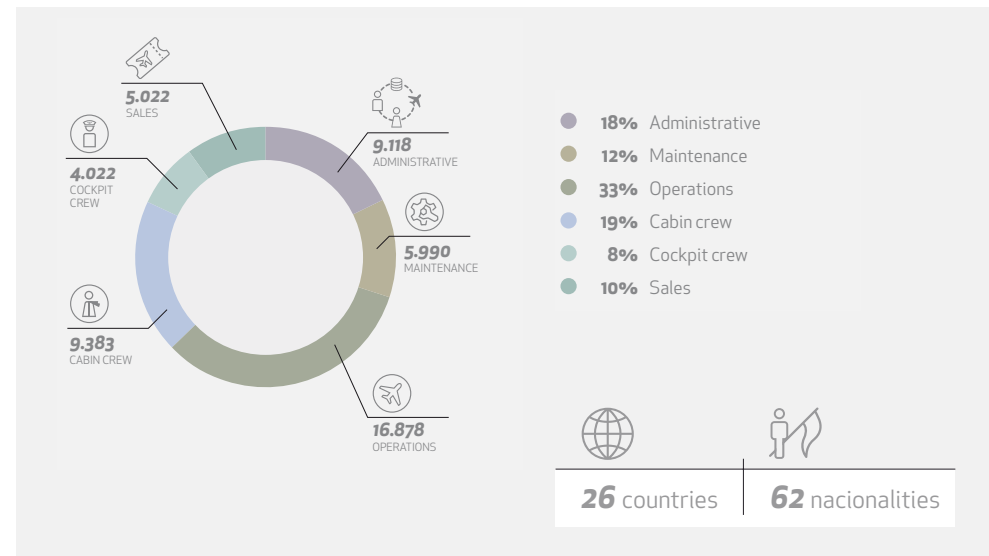
Additionally, with the support of LATAM’s Legal area, in 2015 it continued with the development of the Code of Conduct course, transversal within the organization, which pursued to introduce to its over 50,000 collaborators with the framework within which they must carry out their tasks, avoiding potentially illegal actions or situations that would compromise LATAM Airlines Group as a whole. As of December 2015 the degree of achievement was 84%.

| EMPLOYEES BY COUNTRY



Nota: Total employees by function.

| TOTAL EMPLOYEES BY FUNCTION



Distribution of people according to country, highlighting quantity by home market and “other” for employees in the rest of the world.

| LATAM AIRLINES GROUP S.A.

CHILEAN TAX N° (RUT): 89.862.200-2

Incorporation: Established as a limited liability company by public deed of 30 December 1983, extended by Public Notary Eduardo Arellano, an extract of which was recorded at Folio 20,341 N° 11,248 of 1983 of the Santiago Business Register and published in the Official Gazette of 31 December 1983.

By public deed of 20 August 1985, extended by Public Notary Miguel Garay Figueroa, the company became a joint stock company under the name of Línea Aérea Nacional de Chile S.A. (now LATAM Airlines Group S.A.). As regards aeronautical and radio communication concessions, traffic rights and other administrative concessions, this company was expressly designated by Law N°18.400 as the legal continuation of the state company created in 1929 under the name of Línea Aérea Nacional de Chile.

The Extraordinary Shareholders' Meeting of LAN Chile S.A. held on 23 July 2004 agreed to change the company's name to "LAN Airlines S.A.". An extract of the public deed correspon-

ding to the Meeting's minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 25,128 N° 18,764 of 2004 and was published in the Official Gazette of 21 August 2004. The change of name came into force on 8 September 2004.

The Extraordinary Shareholders' Meeting of LAN Airlines S.A. held on 21 December 2011 agreed to change the company's name to "LATAM Airlines Group S.A.". An extract of the public deed corresponding to the Meeting's minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 4,238 N° 2,921 of 2012 and was published in the Official Gazette of 14 January 2012. The change of name came into force on 22 June 2012.

LATAM Airlines Group S.A. is subject to the regulation applicable to listed joint stock companies and is registered with the Superintendencia de Valores y Seguros (SVS), Chile's stock market regulator, under Inscription N° 0306 of 22 January 1987.



COMPANY
INFORMATION

CORPORATE HEADQUARTERS

Avenida Presidente Riesco 5711, 19th Floor
Las Condes, Santiago, Chile
Tel: (56) (2) 2565 2525

MAINTENANCE CENTER

Arturo Merino Benítez Airport
Santiago, Chile
Tel: (56) (2) 25652525

TICKER SYMBOL

LAN – Santiago Stock Exchange
LFL – New York Stock Exchange
LATM33 – Sao Paulo Stock Exchange

FINANCIAL INFORMATION

Investor Relations
LATAM Airlines Group S.A.
Avenida Presidente Riesco 5711, 20th Floor
Las Condes, Santiago, Chile
Tel: (56) (2) 2565 8785
Email: Investor.Relations@lan.com

SHAREHOLDER ENQUIRIES

Depósito Central de Valores
Huérfanos 770, 22nd Floor
Santiago, Chile
Tel: (56) (2) 2393 9003
Email: atencionaccionistas@dcv.cl

DEPOSITARY BANK ADRS

JPMorgan Chase Bank, N.A.
P.O. Box 64504
St. Paul, MN 55164-0504
Tel: General (800) 990-1135
Tel: From outside US (651) 453-2128
Tel: Global Invest Direct (800) 428-4237
Email: jpmorgan.adr@wellsfargo.com

CUSTODIAN BANK ADRS

Banco Santander Chile
Bandera 140, Santiago
Custody Department
Tel: (56) (2) 2320 3320

CUSTODIAN/DEPOSITARY BANK BDRS

Itaú Corretora de Valores S.A.
Rua Ururaí, 111 – Prédio II – Piso Térreo
Tatuapé – São Paulo/SP
CEP: 03084-010
Attention: Unidade Dedicada Produto ADR/BDR
Tel.: 55 11 2797 3411
Email: dr.itaun@itau-unibanco.com.br

EXTERNAL AUDITORS

Pricewaterhouse Coopers
Avenida Andrés Bello 2711, Piso 5
Santiago, Chile
Tel: (56) (2) 2940 0000

WEBSITES

Complete information about LATAM Airlines:

www.LATAMairlinesgroup.net

www.lan.com

www.tam.com.br





| BOARD OF DIRECTORS



| SENIOR MANAGEMENT



| CORPORATE GOVERNANCE PRACTICES



| OWNERSHIP STRUCTURE AND PRINCIPAL SHAREHOLDERS



| FINANCIAL POLICY



The Board of Directors was elected during the Shareholder's Meeting on April 28, 2015 for a period of two years.



| MAURICIO ROLIM AMARO
Chairman of the Board
 RUT: 48.143.165-4

Mr. Mauricio Rolim Amaro has served as member of LATAM Airlines Group's board of directors since June 2012. He was reelected to the board of directors of LATAM in April 2015 and has served as Chairman since September 2012. Mr. Amaro has previously held various positions in the TAM Group and served as a professional pilot at TAM Linhas Aéreas S.A. and TAM Aviação Executiva S.A. Mr. Amaro has been a member of the Board of TAM S.A. since 2004, and vice-chairman of the Board since April 2007. He is also an executive officer at TAM Empreendimentos e Participações S.A. and chairman of the boards of Multiplus S.A. (subsidiary of TAM S.A.) and of TAM Aviação Executiva e Taxi Aéreo S.A.



| HENRI PHILIPPE REICHSTUL
Director
 RUT: 48.175.668-5

Mr. Henri Philippe Reichstul joined LATAM's board of directors in April 2014 and was reelected to the board of directors of LATAM in April 2015. Mr. Reichstul has served as President of Petrobras and the IPEA-Institute for Economic and Social Planning and Executive Vice President of Banco Inter American Express S.A. Currently, in addition to Administrative Board member of TAM and LATAM group, he is also a member of the Board of Directors of Repsol YPF, Peugeot Citroen and SEMCO Partners, among others. Mr. Reichstul is an economist with an undergraduate degree from the Faculty of Economics and Administration, University of São Paulo, and postgraduate work degrees in the same discipline - Hertford College - Oxford University.



| GEORGES DE BOURGUIGNON
Director
 RUT: 7.269.147-4

Mr. Georges de Bourguignon, has served on LATAM Airlines Group's board of directors since September 2012 and was reelected to the board of directors of LATAM in April 2015. He is co-founder of Asset Chile S.A., a Chilean investment bank, where he works since 1993 as its Executive Director. He is currently also director of K+S Chile S.A. and Salmoines Austral Spa. In the past, has participated in various directories of public and private companies, and non-profit organizations. Between 1990 and 1993 he worked as Manager of Citibank N.A. of financial institutions in Chile and was also Professor of Economics at the Pontifical Catholic University of Chile. The Lord of Bourguignon is an economist at this last University and has a graduate degree in business administration from the Harvard University Business School.



| RICARDO J. CABALLERO
Director
 RUT: 7.758.557-5

Mr. Ricardo J. Caballero joined LATAM's board of directors in April 2014. Mr. Caballero is the Ford International Professor of Economics and Director of the World Economic Laboratory at the Massachusetts Institute of Technology, an NBER Research Associate, and an advisor of QFR Capital Management LP. Mr. Caballero was the Chairman of MIT's Economics Department (2008-2011) and has been a visiting scholar and consultant at many major central banks and international financial institutions. His teaching and research fields are macroeconomics, international economics, and finance. His current research looks at global capital markets, speculative episodes and financial bubbles, systemic crises prevention mechanisms, and dynamic restructuring. His policy work focuses on aggregate

risk management and insurance arrangements for emerging markets and developed economies. He has also written about aggregate consumption and investment, exchange rates, externalities, growth, price rigidity, dynamic aggregation, networks and complexity. Mr. Caballero has served on the editorial board of several academic journals and has a very extensive list of publications in all major academic journals. In April 1998 Caballero was elected a Fellow of the Econometric Society and subsequently of the American Academy of Arts and Sciences in April 2010.



| RAMÓN EBLEN KADIS
Director
 RUT: 4.346.062-5

Mr. Ramón Eblen Kadis has served on LAN's board of directors since June 1994 and was reelected to the board of directors of LATAM in April 2015. Mr. Eblen has served as President of Comercial Los Lagos Ltda., Inversiones Santa Blanca S.A., Inversiones Andes SpA, Granja Marina Tornagaleones S.A. and TJC Chile S.A. Mr. Eblen is a member of the Eblen Group (a major shareholder of LATAM Airlines Group).



| CARLOS HELLER SOLARI
Director
 RUT: 8.717.000-4

Mr. Carlos Heller Solar, entrepreneur, joined the board of LAN in May 2010 and was re-elected to the Board of Directors of LATAM in April 2015. Mr Heller has extensive experience in the sectors of retail, communications, transport and agriculture. He is President of Grupo Bethia, who in turn owns Axxion S.A. and Betlán two S.A., companies with significant share in LATAM Airlines. In turn presides over the directories of network television Megavision S.A., Club Hipico de Santiago, Fala-bella Retail S.A., Sotraser S.A., Viña Indómita S.A., Viña Santa Alicia S.A., Blue Express S.A. and Aero Andina S.A. In addition, it is the majority shareholder and President of Azul Azul S.A. dealership of the Corporation of professional football from the University of Chile.



| GERARDO JOFRÉ MIRANDA
Director
 RUT: 5.672.444-3

Mr. Gerardo Jofré Miranda, economist and business manager, joined LATAM Airlines's Board of directors on May 2010 and was reelected to the board of directors of LATAM in April 2015. Member of the board of Directors of Codelco, Enersis Chile and member of the Board of investment of property funds is roots of Banco Santander. Between 2010 and 2014 was Chairman of Codelco and between 2005 and 2010, he was member of the boards of Endesa Chile S.A., Viña San Pedro Tarapacá S.A., D&S S.A., Construmart S.A., Inmobiliaria Titanium S.A., Inmobiliaria Playa Amarilla S.A. and Inmobiliaria Parque del Sendero S.A. He was also President of Foundation know more. Between 2004 and 2005, was the director of insurance for the Americas of the Santander group in Spain. From 1989 to 2004, he was Vice President of the Santander group in Chile, and worked as a Director and Chairman of several companies of that group.



| JUAN JOSÉ CUETO PLAZA

Director

RUT: 6.694.240-6

Mr. Juan José Cueto Plaza has served on LAN's board of directors since 1994 and was reelected to the board of directors of LATAM in April 2015. Mr. Cueto is the Vice President Executive of investment Costa Verde S.A., position he has held since 1990, and also serves on the boards of Consorcio logger S.A., Inversiones del Buen Retiro S.A., Costa Verde Aeronáutica S.A., synergy real estate S.A., Valle Escondido S.A., Foundation Colunga and Universidad San Sebastián.



| FRANCISCO LUZÓN LÓPEZ

Director

RUT: 48.171.119-3

Mr. Francisco Luzón López has served on LATAM Airlines Group's board of directors since September 2012 and was reelected to the board of directors of LATAM in April 2015. He has served as a consultant of the Inter-American Development Bank (BID) and he has been Teacher "Visiting Leader" of the School of Business China-Europe (CEIBS) in Shanghai. He is currently a member of the board of La Haya and an Independent Director at Willis Group. Between 1999 and 2012, Mr. Luzon served as Executive Vice President for Latin America of Banco Santander. In this period, he was also Worldwide Vice President of Universia SA. Between 1991 and 1996 he was Chairman and CEO of Argentaria Bank Group. Previously, in 1987, he was appointed Director and General Mana-

ger of Banco de Vizcaya and in 1988 Counselor and General Director of Banking Group at BBV. During his career Mr. Luzon has held positions on the boards of several companies, most recently participating in the council of the global textile company Inditex-Zara from 1997 until 2012.



Our experience
makes us
unique



| SENIOR MANAGEMENT



| ENRIQUE CUETO PLAZA
CEO LATAM Airlines Group
RUT: 6.694.239-2

Mr. Enrique Cueto Plaza is the CEO of LATAM Airlines Group and has served in this position since the merger of LAN Airlines and the Brazilian TAM Linhas Aereas from June 2012. Between 1983 and 1993 was Chief Executive Officer of Fast Air, a Chilean cargo airline. Mr. Cueto has extensive knowledge in the management of airline passengers and cargo, both in commercial and operational aspects, acquired during his 30 years in the airline industry. It is an active member of the Board of Directors of the Alliance Oneworld® and of the Board of Directors of the International Association of air transport (IATA). It is also a member of the Board of the Fundación Endeavor, an organization dedicated to the promotion of entrepreneurship in Chile and President of the Latin American Association and the Caribbean air transport (ALTA).



| IGNACIO CUETO PLAZA
CEO LAN
RUT: 7.040.324-2

Mr. Ignacio Cueto is the CEO of LAN. His career in the airline industry extends more than 25 years. In 1985 he became Vice President of sales at Fast Air Carrier, the largest company in domestic cargo at the time. He led the area shopping and services of that company in the North American market. Subsequently he served on the board of directors of LAN (from 1995 to 1997) and Ladeco (from 1994 to 1997). In addition, he took over as General Manager of LAN CARGO between 1995 and 1998. In 1999 he had under his responsibility the General management of passengers of LAN and in 2005 took over the General management of the company, position that held until the partnership with TAM. In addition, he led the creation of subsidiaries of LAN Airlines in different countries of South America, as well as the implementation of key alliances with other airlines. Mr. Cueto is also a member of the Cueto Group which is a controlling shareholder of LATAM.



| CLAUDIA SENDER
TAM President
 FOREIGN

Mrs. Claudia Sender, is the President of TAM, a position she assumed in May 2013. Mrs. Sender joined the company in December 2011, as Commercial and Marketing Vice-President. After June 2012, with the conclusion of TAM-LAN merger and the creation of LATAM Airlines Group, she became the head of Brazil Domestic Business Unit, and her functions were expanded in order to include TAM's entire Customer Service structure. Before joining LATAM Airlines, she developed an extensive career in Whirlpool Latin America where she was the Vice President of Marketing for 7 years. She also worked as a consultant at Bain&Company, developing projects for large companies in various industries, including TAM Airlines and other players of the global aviation sector. She has a bachelor degree in Chemical Engineering from the Polytechnic School at the University of São Paulo (USP) and a MBA from Harvard Business School.



| ARMANDO VALDIVIESO
Senior VP Commercial of LATAM
 RUT: 8.321.934-3

Mr. Armando Valdivieso Montes is the Senior Vice President commercial, position that he took in the year 2015. Mr Valdivieso was previously the General Manager of LAN after the association between LAN and TAM. Previously, Mr. Valdivieso was General Manager of LAN passenger since 2006. Between 1997 and 2005 he served as General Manager of Carga of Lan Airlines. From 1995 to 1997, he was General Manager de Fast Air. From 1991 to 1994, he served as Vice President at United States of Fast Air with residence in Miami. Mr. Valdivieso is a Civil Engineer and received an Executive MBA from Harvard University.



| CRISTIAN URETA
Cargo- Executive Vice-President
 RUT: 9.488.819-0

Mr. Cristian Ureta, is LATAM's Cargo Executive Vice-President, position that he took in 2005. From 2002 to 2005 he served as Vice President of production at LAN Cargo. Between 1998 and 2002, he served as Vice President of Planning and Development of LAN Cargo. Previously served as General Manager and commercial Director of MAS Air, and Manager of Fast Air Services. Mr. Ureta is engineer and graduate of the Catholic University and Executive expertise at Stanford University program.



| ROBERTO ALVO
Senior VP International and Alliances LATAM
 RUT: 8.823.367-0

Mr. Roberto Alvo Milosawlewitsch, is LATAM's Senior VP International and Alliances, since 2015. Mr Alvo is in charge of the results of the international passenger business unit and the negotiations on fleet related negotiations. He assumed the position of Senior Vice President Strategic Planning and Development in 2008. Mr. Alvo joined LAN Airlines on November 2001, and has served in various roles within LAN, including as CFO of LAN Argentina, as Vice-president of Development of LAN Airlines and Vice-President of Treasury of LAN Airlines. Before 2001 Mr. Alvo held various positions at Sociedad Química y Minera de Chile S.A., a leading non-metallic Chilean mining company. Mr. Alvo is a civil engineer and obtained an MBA from IMD in Lausanne, Switzerland.



| JEROME CADIER
Chief Marketing Officer
 RUT: 24.363.805-4

Mr. Jerome Cadier, is Chief Marketing Officer, a position he assumed in March 2013. Prior to joining LATAM, he worked between 2003 and 2013 in Whirlpool Home Appliances in Brazil where he held the National Sales Manager and Vice President of Marketing. During this period, Jerome also served for two years as President of Whirlpool in Australia and New Zealand. Finally between 1995 and 2002, Jerome was a consultant for McKinsey and Company in Brazil. Mr. Jerome Cadier Industrial Engineering from Escola Politecnica of Sao Paulo (1994) and has a Masters from the Kellogg Graduate School of Management (1999).



| JUAN CARLOS MENCIO
Senior VP Legal
 RUT: 24.725.433-1

Mr. Juan Carlos Mencion is Senior Vice President of Legal Affairs and Compliance for LATAM Airlines Group since June 1, 2014. Mr. Mencion had previously held the position of General Counsel for North America for LATAM Airlines Group and its related companies, as well as General Counsel for its worldwide Cargo Operations, both since 1998. Prior to joining LAN, he was in private practice in New York and Florida representing various international airlines. Mr. Mencion obtained his Bachelor's Degree in International Finance and Marketing from the School of Business at the University of Miami and his Juris Doctor Degree from Loyola University.



| EMILIO DEL REAL
Senior VP of Human Resources
 RUT: 9.908.112-0

Mr. Emilio del Real Sota, is LATAM's HR Executive Vice-President, a position he assumed (with LAN) in August 2005. Between 2003 and 2005, Mr. del Real was the Human Resource Manager of D&S, a Chilean retail company. Between 1997 and 2003 Mr. del Real served in various positions in Unilever, including Human Resource Manager for Chile, Manager of Development of Customer Management in Latin America and Recruitment Manager. Mr. del Real has a Psychology degree from Universidad Gabriela Mistral.



| ANDRÉS OSORIO
Chief Financial Officer
 RUT: 7.035.559-0

Mr. Andrés Osorio, is LATAM's Chief Financial Officer ("CFO"), and has held this position since August, 2013. He holds a Business degree from the Catholic University of Chile and has over 20 years of experience leading financial areas in companies such as Cencosud, where he was CFO for 7 years, and Metrogas, among others. He has also been CEO of Empresas Indumotora, a Chilean automobile conglomerate, and was a partner at PwC in Chile.



| HERNAN PASMÁN
Chief Operating Officer
 RUT: 21.828.810-3

Mr. Hernan Pasmán has been the Chief Operating Officer of LATAM airlines group since October, 2015. He joined LAN Airlines in 2005 as a head of strategic planning and financial analysis of the technical areas. Between 2007 and 2010, Mr. Pasmán was the Chief operating officer of LAN Argentina, then, in 2011 he served as Chief Executive Officer for LAN Colombia. Prior to joining the company, between 2001 and 2005, Mr. Pasmán was a consultant at McKinsey & Company in Chicago. Between 1995 and 2001, Hernan held positions at Citicorp Equity Investments, Telephonic de Argentina and Argentina Motorola. Mr. Pasmán is a Civil engineer from ITBA (1995) and obtained an MBA from Kellogg Graduate School of Management (2001).



| ENRIQUE ELSACA
Senior VP Spanish Speaking countries
 RUT: 8.732.095-2

Mr. Enrique Elsaca Hirmas has been the Senior Vice President for Spanish Speaking Countries (SCC) at LATAM Airlines since October 2015. Mr. Elsaca joined LAN Airlines in 2004, as Vice-President of Planning. Then, in 2008, he assumed the Vice Presidency of Operations and Services in LAN. In 2012 Mr. Elsaca became Chief Executive of LAN in Chile. Prior to joining the company, Mr. Elsaca worked in Santa Isabel- Cencosud (2000-2004), a Chilean retail company. Between 1997 and 1999, he served as strategic consulting in Booz, Allen & Hamilton, and between 1991 and 1995, he worked in Esso Chile. Mr. Elsaca is a Civil engineer from Catholic University of Chile and obtained an MBA from the MTI Sloan School of Management (1997).



| SENIOR MANAGEMENT

| 2015

<i>Board Members</i>	<i>Position</i>	<i>Director's remuneration (US\$)</i>	<i>Comitte of Directors' fee (US\$)</i>	<i>Sub-Comitte fee (US\$)</i>	<i>Total (US\$)</i>
Maurício Amaro	Presidente	38.315	0	9.224	47.539
Francisco Luzón López	Director	15.333	0	10.735	26.068
Juan José Cueto Plaza	Director	21.106	0	13.839	34.944
Ramón Eblen Kadis	Director	21.106	23.150	12.261	56.516
Juan Gerardo Jofré Miranda	Director	21.106	28.282	15.344	64.731
Carlos Heller Solari	Director	15.349	0	1.527	16.876
Georges Antoine de Bourguignon Covarrubias	Director	21.106	28.282	12.252	61.639
Ricardo J. Caballero	Director	15.360	0	9.233	24.593
Henri Philippe Reichstul	Director	21.106	0	10.804	31.909

| 2014

<i>Board Members</i>	<i>Position</i>	<i>Director's remuneration (US\$)</i>	<i>Comitte of Directors' fee (US\$)</i>	<i>Sub-Comitte fee (US\$)</i>	<i>Total (US\$)</i>
Maurício Rolim Amaro	Presidente	44.096	0	9.621	53.717
María Claudia Amaro	Director	8.221	0	3.289	11.510
Henri Philippe Reichstul	Director	6.157	0	1.642	7.799
Ricardo J. Caballero	Director	16.147	0	11.303	27.450
Juan José Cueto Plaza	Director	22.065	0	14.443	36.508
Ramón Eblen Kadis	Director	22.072	26.887	14.447	36.519
Georges Bourguignon	Director	21.523	28.841	12.523	34.046
José María Eyzaguirre Baeza	Director	4.694	0	1.252	5.946
Carlos Heller Solari	Director	16.592	0	1.475	18.067
Juan Gerardo Jofré Miranda	Director	22.053	29.551	14.435	36.488
Francisco Luzón López	Director	9.992	0	9.593	19.585



- The remunerations of the exercise 2015 were converted to the average exchange rate of \$ 654.25US.
- The reported earnings correspond to the remunerations for monthly assistance directory and committees of the Board, in accordance with what was approved at the ordinary general meeting of shareholders of the company held on date April 28, 2015.
- During the year 2015 both the Board and the Committee of directors not incurred additional expenses for concept of consultant.

For the purposes of its management structure, LATAM Airlines Group S.A. uses names or terms that are standard in local and, particularly, international companies and serve to indicate the seniority of the different executives who comprise its administration as well as their respective salary levels.

In accordance with the above, the internal terms used in LATAM Airlines Group for the purposes of seniority, supervision and salary scales are as follows:

1. Senior Vice-President. Term indicating the Company's principal executives.
2. Vice-President. Term indicating senior executives who report to the Executive Vice-President, a Senior Vice-President or a General Manager.
3. Senior Director. Term indicating executives who report to a Senior VicePresident or a Vice-President.
4. Director. Term indicating executives who report to a Senior Vice-President or a Vice-President.
5. Senior Manager. Term indicating executives who report to a VicePresident, a Senior Director or a Director.

6. Manager. Term indicating an executive who reports to a Senior Director, a Director or a Senior Manager.

7. Assistant Manager or Coordinator. Term indicating an executive who reports to a Senior Manager or a Manager..

The term "Directors", used to report the remunerations of the Company's executives, is used in the sense of these posts or internal terms and not the legal sense envisaged in Section IV of Chile's Law No. 18.046 on Corporations. The remunerations or fees of the members of the Company's Board of Directors are reported in the corresponding section of this Annual Report.

In addition, for the purposes of this Annual Report, all reference to "principal executives" is understood to be to the internal posts or levels of Vice-President, General Manager, Senior Director and Director as set out above.

During the year 2015, LATAM Airlines Group paid the whole of its senior executives (considering the levels of Vice Presidents, general managers, Senior managers and directors, according the markings explained above) a total of US\$ 40,404,395 and US\$ 13,789,916 corresponding to performance incentives, paid in March 2016. Accordingly, the company paid to its senior executives a gross remuneration total of US\$ 54,194,311.



During the 2014 LATAM Airlines Group paid a total of US\$ 44,133,566 to the whole of their chief executives. Incentives are paid for performance in 2014, so company paid to its senior executives gross remuneration total up to US \$44,133,566.

| COMPENSATION PLANS

At the Extraordinary Shareholders' Meeting held on 21 December 2011, the Company's shareholders approved the issue of 4,800,000 shares for compensation plans for the employees of the Company and its subsidiaries (the "2011 Compensation Plan").

The principal conditions of the 2011 Compensation Plan are as follows:

1. The options assigned to each employee will accrue in stages on the following three occasions: (1) 30% on 21 December 2014, (2) 30% on 21 December 2015, and (3) 40% on 21 June 2016, subject to the employee remaining with the Company.
2. Once the options have accrued in the stages indicated above, employees may exercise them totally or partially in which case they must subscribe and pay the respective options at the moment of subscribing them. If exercised partially, this may not be for less than 10% of the total options allocated to the employee.
3. The period in which employees may exer-

cise the options, once accrued, will expire on 21 December 2016.

4. The price to be paid for each share allocated to the Compensation Plan, if the respective options are exercised, will be US\$17.22. As from the date of its setting, this price expressed in US dollars will be adjusted for the variation in the Consumer Price Index (CPI), published monthly by the US Department of Labor, between the date of setting the price and the date of subscribing and paying the options. The options will be paid in Chilean pesos at the exchange rate for the Dólar Observado (Observed Dollar) published in the Diario Oficial (Official Gazette) at the same date on which they are subscribed and paid.

As of 31 December 2015, a total of 4,518,000 shares from the 2011 Compensation Plan had been assigned to company employees, corresponding almost exclusively to senior executives in the corporate posts indicated above. There remained, therefore, a balance of 282,000 shares that had not been allocated. To date, none of the options has accrued or been exercised in line with point 1 above.

At the Extraordinary Shareholders' Meeting which took place on 11 June 2013, the Company's shareholders approved, among other decisions, the issue of 1,500,000 shares for compensation plans for the employees of the Company and its subsidiaries (the "2013 Compensation Plan").



The 2013 Compensation Plan has the following general characteristics:

1. The options assigned to each employee will all accrue on 15 November 2017, subject to the employee remaining with the Company.
2. Once the options have accrued at the date indicated, employees may exercise them totally or partially in which case they must subscribe and pay the respective options at the moment of subscribing them in cash or by check, bank check, electronic transfer or any other instrument representing money payable on sight. If exercised partially, this may not be for less than 10% of the total options allocated to the employee.
3. The period in which employees may exercise the options, once accrued as indicated in point 3 above, will expire on 11 June 2018. If the employee has not exercised or waived the options by this date, it will be understood for all purposes that the employee has waived the options and that, as a result, all right, power, promise or offer related to subscription of the Company's shares has ceased to exist and the employee has irrevocably renounced all right or power in relation to the shares, freeing the Company from any obligation.
4. The price to be paid for each share allocated to the 2013 Compensation Plan, if the respective options are exercised, will be US\$16.40. As from the first day of the preferential option period through to the

date of subscription and payment of the shares, this price expressed in US dollars will be adjusted for the variation in the Consumer Price Index (CPI), published monthly by the US Department of Labor. The options will be paid in Chilean pesos at the exchange rate for the Dólar Observado (Observed Dollar) published in the Diario Oficial (Official Gazette) at the same date on which they are subscribed and paid.

A date for implementation of the 2013 Compensation Plan has yet to be set and no shares corresponding to the Plan have, therefore, so far been allocated.



LATAM Airlines Group S.A. is a listed joint stock company registered with the Superintendencia de Valores y Seguros (SVS), Chile's stock market regulator, under Inscription N°306. Its shares trade on the Santiago Stock Exchange, Chile's Electronic Stock Exchange and the Valparaíso Stock Exchange as well as on the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs) and on Brazil's Stock, Commodity and Futures Exchange (BM&FBOVESPA S.A.) in the form of Brazilian Depositary Receipts (BDRs).

LATAM Airlines Group's corporate governance practices are regulated by Chile's Securities Market Law (N° 18.045) and its Corporations Law N° 18.046 ("LSA"), including their associated norms, as well as other norms issued by the SVS. In addition, it is subject to the legislation and regulation of the United States and that country's Securities and Exchange Commission (SEC) as they apply to the issue of ADRs and the laws and regulation of the Federal Republic of Brazil and the Comissão de Valores Mobiliários (CVM), the country's stock market regulator, as they apply to the issue of BDRs.

The corporate governance practices of LATAM Airlines Group are subject to constant review in order to ensure that its internal self-regulation processes are totally aligned with the regulation in force and the LATAM's values.

LATAM Airlines Group's decisions and commercial activities are underpinned by the ethical principles established in LATAM's Code of Conduct.

The main bodies responsible for LATAM Airlines Group's corporate governance are its Board of Directors and the Directors' Committee (which also fulfills the functions of the Audit Committee required under the Sarbanes-Oxley Act of the United States), together with the Strategy, Finance, Leadership and Product, Brand and Frequent Flyer Program Committees created after the association between LAN Airlines and TAM. The main functions of these bodies are set out below.

| BOARD OF DIRECTORS OF LATAM AIRLINES GROUP

LATAM Airlines Group's Board of Directors has nine members and is the body responsible for analyzing and defining LATAM's strategic vision, thereby playing a fundamental role in its corporate governance. All the Board seats come up for election every two years and, under LATAM Airlines Group's statutes, directors are elected through cumulative voting.

Each shareholder has one vote per share and can use all his or her votes to support one candidate or divide them among any number of candidates. This arrangement ensures that a shareholder with more than a 10% stake can elect at least one director. The present Board of Directors was elected by the Ordinary Shareholders' Meeting which took place on April 28th, 2015.

LATAM Airlines Group's Board holds ordinary monthly meetings and extraordinary meetings whenever the Company's affairs so require. Di-

rectors' fees must be approved by vote at the Ordinary Shareholders' Meeting. The Directors' Committee usually meets monthly and its functions and powers are those established by the applicable legislation and regulation.

| DIRECTORS' COMMITTEE OF LATAM AIRLINES GROUP

Under Chilean law, listed joint stock companies must appoint at least one independent director and a Directors' Committee when they have a market capitalization of at least 1,500,000 unidades de fomento (an inflation-indexed currency unit) and at least 12.5% of the voting shares are held by shareholders who individually control or possess less than 10% of these shares. Three of the nine Board members form a Directors' Committee, which fulfills both the functions required under Chile's Corporations Law and those of the Audit Committee required under the Sarbanes-Oxley Act of the United States and the corresponding SEC norms.

The Directors' and Audit Committee has the functions established in Article 50 bis of Chile's Corporations Law (N° 18.046) and the other applicable regulation. These include:

To examine the reports of LATAM Airlines Group's external auditors, general balance sheets and other financial statements that LATAM Airlines Group's administrators provide to shareholders and to express an opinion about these reports prior to their presentation for approval by shareholders.



- To put to the Board proposals as to the external auditors and credit rating agencies to be used.
- To examine internal control reports and any related complaints.
- To examine and report on all matters regarding related-party transactions.
- To examine the pay scale of LATAM's senior management.

The requirements for directors' independence are set out in Chile's Corporations Law (N° 18.046) and its subsequent modifications under Law N° 19.705 on the relationship between directors and LATAM's controlling shareholders.

A director is considered independent when he or she does not, in general, have ties, interests or economic, professional, credit or commercial dependence of a significant nature or size with or on the company, the other companies in the group of which it forms part, its controller or principal executives or a family relationship with the latter or any of the other types of ties specified in Law N° 18.046.

Under US regulation, it is necessary to have an Audit Committee, comprising at least three Board members, that fulfills the independence requirements established under Rule 10A of the Exchange Act.

As of 31 December 2015, all the members of the Directors' Committee, who also act as part of the

Audit Committee, were independent directors as defined under Rule 10A of the Exchange Act. At that date, its members were Messrs. Ramón Eblen Kadis, Georges de Bourguignon Arndt and Juan Gerardo Jofré Miranda (chairman of the Committee). For the purposes of Chile's Corporations Law (N° 18.046), Ramón Eblen Kadis is not considered an independent director. Committee members have not changed in the last two years.

| DIRECTORS' COMMITTEE ANNUAL REPORT

In accordance with article 5°, subsection 8° of article 50 bis under the Corporations Law No. 18,046, the Directors' Committee of LATAM Airlines Group S.A. (the "Company" or "LATAM"), issues the annual management for 2015.

I. Integration of the Directors' Committee and Sessions

The members of the Directors' Committee of the Company are Messrs. Gerardo Jofré Miranda, Georges de Bourguignon Arndt and Ramón Eblen Kadis. Messrs. Jofré and De Bourguignon are considered independent directors of the Company. Gerardo Jofré Miranda chairs the Directors' Committee.

The directors were appointed in the Ordinary Shareholders' Meeting held on April 28, 2015, for a two-year period pursuant the bylaws of the Company.

II. Report of the Committee's Activities

During 2015, the Directors' Committee held twenty-one sessions, in order to exercise its

functions and fulfill its obligations pursuant to article 50 Bis under the Corporations Law No. 18,046, and also to undertake those other issues that the Directors' Committee decided to review, revise or evaluate. Please find below the main topics covered.

Test and Review of the Balance Sheet and Financial Statements

The Directors' Committee tested and reviewed the financial statements of the Company as of December 31, 2014, as well as the quarterly statements as of March 31, June 30 and September 30, understanding the tests of the respective reports of external auditors of the Company. The External Auditor of the Company participated in their respective sessions of the Committee, for the purpose of providing the opinion related to the audit and to inform the relevant issues of the review, the main aspects of internal control and communications required by the regulators of External Auditor, and including in every occasion the confirmation of (i) didn't experience any difficulties to carry out the audit, (ii) didn't have any difference of opinion with the Management, and (iii) didn't came up any facts that represented a threat to its independence.

Likewise, KPMG in its capacity as external auditor of TAM S.A. and subsidiaries participated in two sessions of the Directors' Committee, with the purpose of presenting the main aspects of the external audit of TAM, the main focuses of its review process and internal control aspects.



CORPORATE GOVERNANCE PRACTICES

Review of the Cash Generating Units Impairment Reports

In the session held on March 16, 2015, the Directors' Committee examined and analyzed the impairment reports of the cash generating units of the Company, in accordance with the reports issued by the management of the Company and by Deloitte, acting as the consulting firm, hired for the purpose, being present at the session. The external audit company updated the report and was reviewed by the management in the session held on August 12, 2015, where the External Auditor of the Company was present.

Systems of Compensation for Executives and Employees

In the sessions held on April 6 and December 4, 2015, the Directors' Committee examined the systems of remunerations and compensation plans for managers, main executives and employees of the Company. In those sessions the Committee examined the plans proposed by the management and the reports of external consultants hired by the Vice Presidency of Employees of the Company. Other matters related to the human resources area of the Company includes topics such as (i) performance review of main executives (ii) approval of variable compensation payments (iii) organizational environment and (iv) succession plans, who were evaluated and reviewed in the Leadership Committee of the Company.

Control of Operations with Related Parties

In the sessions held on June 30, November 6 and December 4, 2015, the Directors' Committee reviewed the Policy on Regular Operations of the Company and the compliance with the legal and accounting regulations related to the control and report of operations with related parties, and carried out a review process of such policy and the controls associated, which will be completed in 2016. In these meetings, the transactions that pursuant to the legal and accounting regulation applicable to the Company were reviewed, which are considered operations with related parties, and was approved by the Committee.

Corporate Governance Practices

In order to comply with General Rule No. 385 of the Superintendence of Securities and Insurance ("NCG 385"), in the sessions held on September 10, November 20 and December 14, 2015, the Directors' Committee, analyzed and examined the corporate governance practices of LATAM for 2015, according to the questionnaire provided in Addendum I of General Rule No. 385. In those sessions the Committee evaluated corporate improvements to corporate governance practices of the Company, some of which were recommended to the Board of Directors for their implementation, such as the approval of the Integrated Risk Management Policy, the Contracting of Additional Services from External Auditors Policy and the Induction for New Directors Policy.

Contracting of Additional Services from External Auditors.

In the sessions held on January 26, June 1st and June 30, 2015, the Directors' Committee examined and evaluated the rules and guidelines for the control of additional services from external auditors, including the fulfillment of legal regulations in Chile and abroad, thus approving a Contracting of Additional Services from External Auditors Policy, which was recommended and approved ultimately by the Board of Directors of the Company.

Evaluation and Implementation of Corporate Policies

In 2015, during several sessions of the Directors' Committee, the analysis of the need to carry out corporate policies in matters of risk and tax management continued, with the purpose to implement a management model for those risks that might impact sustainability, the operational continuity or that might have an impact on customers, people or the environment, in one part, and compliance with the obligations of the Company and the adoption of tax criteria, which resulted in the approval of the Integrated Risk Management Policy of LATAM and the Tax Policy of LATAM, which were recommended and approved ultimately by the Board of Directors of the Company.

In accordance with the Integrated Risk Management Policy of LATAM, the Directors' Committee is committed to supervise, analyze and



evaluate the development and the management of the Risk Management System of LATAM Airlines Group, along with reporting and to inform the Board of Directors of the results of the supervision, analysis and evaluation.

In several sessions the Committee analyzed deeply certain risks of the Company together with the Risk Manager.

Internal Audit

In five sessions the Directors' Committee examined and reviewed the audit and control reports issued by the external auditor of LATAM. In these sessions the audit work performed in 2015 was approved, and throughout the year informed of its main results.

Likewise, the complaints received from the established channels of the Company for that purpose were informed.

Recommendations of the Directors' Committee

On the other hand, the Directors' Committee made the recommendations mentioned below to this annual management report, with the occasion of the appointment of external auditors of the Company and the private risk rating agencies for 2015.

Activities by Session of the Directors' Committee Report

Notwithstanding the above, the Directors' Committee met and held sessions in the opportuni-

ties mentioned below, where we present a summary of the matters discussed in each session.

1) Ordinary Session N°151 26/01/15
Tender process for external auditor's services.
Progress of the internal audit plan.
Hiring policy of additional services from external auditors.

2) Extraordinary Session N°32 16/03/15
Review of calculation of impairment of certain assets included in financial statements as of December 31.
Fees for external auditors.

3) Ordinary Session N°152 17/03/15
Review of financial statements at 31 December 2014.

4) Extraordinary Session N°33 20/03/15
Presentation of proposals for external audit services.

5) Ordinary Session N°153 06/04/15
Proposal for external auditors and private credit rating agencies for 2015
System of remunerations and compensation plan for executives
Annual report of Directors' Committee.
Fees for services of external auditors

6) Ordinary Session N°154 04/05/15
Election of the board of directors
Improvements initiatives of internal control
Agenda of the committee's pending issues.
External auditors' fees.

7) Extraordinary Session N°34 14/05/15
Election of the Committee's President.
Review of financial statements at 31 March 2015.

8) Extraordinary Session N°35 19/05/15
Agenda of the committee's outstanding issues.
Progress of the internal audit plan.

9) Ordinary Session N°155 01/06/15
Review of the hiring policy of additional services from external auditors.
Corporate risk Management system.
Introduction of KMPG.

10) Ordinary Session N°156 30/06/15
Review of the hiring policy of additional services from external auditors.
Analysis of the policy for related party's transactions.
Migration to LATAM structure of the funded and leased fleet of TAM.

11) Extraordinary Session N°36 02/07/15
Tax reform- implementation plan
Corporate risk Management

12) Ordinary Session N°157 03/08/15
TAM audit reports

13) Extraordinary Session N°37 13/08/15
Review of Financial Statements at 30 June 2015.

14) Ordinary Session N°158 28/08/15
2015 external audit plan



Functional segregation.
Tender process of external auditors for 2016

15) Extraordinary Session N°38 10/09/15
Analysis of the document required by the general rule 385.
2015 Internal Audit Plan.

16) Ordinary Session N°159 01/10/15
Internal audit reports.
Corporate taxation policy.
TAM S.A. Financial Statements

17) Ordinary Session N°160 06/11/15
Presentation of KPMG.
Analysis of the policy for related party's transactions.

18) Extraordinary Session N°39 12/11/15
Review of Financial Statements at 30 September 2015.

19) Extraordinary Session N°40 20/11/15
Analysis of the document required by the general rule 385.

20) Ordinary Session N°161 4/12/15
Taxation policy: Relevant issues.
Corporate risk Management: update on the project progress
Regulatory issues
Analysis of the policy for related party's transactions.
Letter received from external auditors
System of remunerations and compensation plan for executives

21) Extraordinary Session N°41 14/12/15
Analysis of the document required by the general rule 385.

III. Remunerations and Expenses of the Directors' Committee

The Ordinary Shareholders Meeting of the Company, held on April 28, 2015, agreed that every member of the Committee receives a monthly allowance of the equivalent to 67 Unidades de Fomento for attending the Directors' Committee sessions.

For the operation of the Directors' Committee and its advisors, Corporations Law established that the expense budget has to be at least the same as the annual remuneration of the Committees' members, and therefore in the aforementioned Ordinary Shareholders Meeting a budget of 2,412 Unidades de Fomento for 2015 was approved.

Therefore, the expenses of the Directors' Committee are related with the monthly allowances for attendance to the sessions, without having any other expenses or outflows to inform.

IV. Recommendations of the Directors' Committee.

IV.1 Proposal of External Auditors' Appointment.

In accordance with article 5°, subsection 8° of article 50 bis under the Corporations Law No. 18,046, the Directors' Committee of

LATAM Airlines Group S.A. (the "Company" or "LATAM"), issues the annual management for 2015.

At the Directors' Committee session held on April 6, 2015 and in accordance to article 2) of subsection eight of article 50 bis under Corporations Law No. 18.046, the Directors' Committee agreed to propose the External Auditors to the Board of Directors to be suggested at the Ordinary Shareholders Meeting to be held on April 28, 2015. In this regard, the Committee proposed to the Board of Directors the appointment of PriceWaterhouseCoopers Consultores, Auditores y Cía. Limitada ("PWC") and KPMG Auditores Consultores Ltda ("KPMG") as Auditors of the Company, in this order of priority, but notwithstanding the recommendation to maintain PWC as the Audit Company for 2015.

The Director's Committee recommendation to maintain PWC as the external auditor of the Company for 2015 is based on the following reasons and fundamentals:

(i) Concerning fees and hours and resources available, there are no important differences between the two auditors proposed to the shareholders of the Company. Likewise, it is considered that the professional level of the auditors of the two firms would be equivalent.



CORPORATE GOVERNANCE PRACTICES

(ii) Both audit companies have internal control systems that make us assume an adequate and equivalent level of independence when providing an audit service. Due to the above, even though PWC has been the external auditor of LATAM Airlines Group S.A. for the last twenty-three years, the independence of this audit company is guaranteed through the policy defined by PriceWaterhouseCoopers worldwide, with the change of the partner in charge each five years, which is in line with section f) of article 243 under the Securities Law No. 18,045. The current partner in charge of LATAM's audit has been in the role for four years.

(iii) The quality of services provided by PWC to LATAM Airlines Group, doesn't have had any observations or objections from the Company's management or its Board of Directors.

(iv) The knowledge that PWC has of the businesses and activities of LATAM makes us assume that the audit process would be faster and more efficient than the one carried out by a new auditor, matter who is considered very important for 2015.

(v) Since 2014, the external auditor of TAM S.A. and its subsidiaries is KPMG Auditores Independientes, being part of the KPMG global network. In this regard, TAM S.A. and subsidiaries represent an important portion of the balance sheet and financial statements of LATAM Airlines Group S.A.,

so there's a second external audit firm, also among the most important worldwide, and in addition to PWC, would participate in the delivery of external audit services.

(vi) The interaction and coordination between the two external audit companies PWC and KPMG for the period 2014, as external auditors of LATAM Airlines Group and TAM S.A., respectively, has been evaluated as positive, so there are two audit firms totally enabled to perform the external audit of LATAM in the future.

IV.2 Proposal of Private Risk Rating Agencies.

The Directors' Committee in session held on April 6, 2015 and in accordance with article 2) subsection 8° of article 50 bis under the Corporations Law No. 18,046, agreed to propose the Board of Directors the risk rating agencies to be suggested at the Ordinary Shareholders Meeting to be held on April 28, 2015. In this regard, the Committee agreed to propose the Board of Directors of the Company the appointment of Fitch Chile Clasificadora de Riesgo Limitada and Feller-Rate Clasificadora de Riesgo Limitada.

| COMMITTEES OF THE BOARD OF DIRECTORS OF LATAM AIRLINES GROUP

In accordance with the shareholders' agreement of 25 January 2012 between LATAM Airlines Group S.A. (previously LAN Airlines

S.A.) and TEP Chile S.A., the Ordinary Board Session of 3 August 2012 established the following four committees to review, discuss and make recommendations to the Board about the issues related to their respective areas of responsibility:

(i) Strategy Committee, (ii) Leadership Committee, (iii) Finance Committee, and (iv) Brand, Product and Frequent Flyer Program Committee. In accordance with the said shareholders' agreement, each subcommittee will comprise two or more directors of LATAM Airlines Group and at least one of their members must be a director elected by TEP Chile S.A.

The Strategy Committee will focus on corporate strategy, current strategic affairs and the three-year plans and budgets of the main business units and functional areas and high-level review strategies. The Leadership Committee will focus on areas that include group culture, high-level organizational structure, appointment of the executive vice-president of LATAM Airlines Group (henceforth, "CEO of LATAM") and those who report to this person, the philosophy of corporate remunerations, structures and levels of remunerations and objectives for the CEO of LATAM and other key staff, the succession or contingency plan for the CEO of LATAM and evaluation of the performance of the CEO of LATAM.

The Finance Committee will focus on financial policies and strategy, capital structure, control of compliance policies, tax optimization strategy and the quality and reliability of financial



CORPORATE GOVERNANCE PRACTICES

information. Finally, the Brand, Product and Frequent Flyer Program Committee will focus on brand strategies and brand construction initiatives for corporate brands and those of the principal business units, the principal characteristics of products and services for each of the principal business units, the strategy of the Frequent Flyer Program and its key characteristics and regular auditing of the brand's performance.

In addition, by agreement of the Board of LATAM Airlines Group S.A., during the board of directors' meeting No. 389 on 10 June 2014, a Risk Committee was formed with the purpose of supervising the implementation of the Risk management success factor, included in LATAM's Strategic Plan, and particularly to oversee LATAM Airlines Group's risk management of risks of LATAM Airlines Group and ensure a corporate risk matrix structuring.

| RELATED-PARTY TRANSACTIONS

Under Chile's Corporations Law, a listed company's operations with a related party must take place in market conditions and comply with certain authorization and disclosure requirements that are different from those applying to a non-listed company. This applies to listed companies and their subsidiaries.

LATAM Airlines Group has carried out different transactions with its subsidiaries, including entities owned or controlled by some of its majority shareholders. In the normal course of LATAM's business, different types of services

have been provided to or received from related companies, including the rental and exchange of aircraft and cargo transport and booking services.

LATAM Airlines Group's policy is not to carry out transactions with or for the benefit of any shareholder or Board member or with any entity controlled by these persons or in which they have a significant economic interest, except when the transaction is related to LATAM and the price and other terms are at least as favorable for the LATAM as those which could be obtained from a third party under market conditions.

These transactions are summarized in the audited consolidated financial statements for the year ending on 31 December 2015.

Finally, and along with the rules laid down in the Code of Conduct of LATAM Airlines Group on this matter, for the purposes of letter b) of the last point of Article 147 of Law No. 18.046 on Corporations, LATAM Airlines Group has a general policy on habitual operations which was approved by its Board of Directors in its Session of 29 December 2009 and reported as material news to the Superintendencia de Valores y Seguros on that same date. The operations indicated in this general policy on habitual operations may be carried out without the requirements envisaged in the said Article 147.



| PRINCIPLES OF GOOD CORPORATE GOVERNANCE

LATAM Airlines Group's good corporate governance is the result of the interaction of different individuals and stakeholders.

Although all employees share responsibility for compliance with the high standards of ethics and adherence to regulation established by LATAM Airlines Group's Board of Directors, it is the Board, the Directors' Committee and the Company's principal executives who are primarily responsible for LATAM Airlines Group's good corporate governance. In line with the above, LATAM Airlines Group is committed to transparency and compliance with the ethical and regulatory standards established for this purpose by its Board of Directors.

| PILLARS OF LATAM AIRLINES GROUP'S CORPORATE GOVERNANCE

Notwithstanding the responsibilities of the Company's Board of Directors and its Directors' Committee, LATAM Airlines Group's administration has also taken a number of measures to ensure due corporate governance. These include principally:

1. Publication of the new Code of Conduct for LATAM, unique for all of the Company's employees, which seeks to ensure that all employees adhere to the highest standards of ethics, transparency and compliance with regulation required by LATAM Airlines Group. The LATAM Group has an Ethics Complaints Channel (www.etica-grupolatam.com). This

facility provide employees with a direct and private online channel through which to report any concerns in the knowledge that these will be properly processed or investigated without any risk of reprisal against the person reporting them.

2. Code of Ethics for Senior Financial Executives. This fosters honest and ethical conduct in the disclosure of financial information, compliance with regulation and avoidance of conflicts of interest.

3. Manual for Management of Market-Sensitive Information. This is required by the Superintendencia de Valores y Seguros and, since Law N° 20.382 on Corporate Governance came into force, also by Chilean securities market legislation. LATAM Airlines Group, however, seeks to go further than these norms and regulates the criteria for disclosure of operations, periods of voluntary abstinence from the purchase and sale of LATAM's shares, mechanisms for continuous disclosure of market-sensitive information and mechanisms for the protection of confidential information by the Company's employees and executives.

4. Compliance Program. Managed by LATAM's Compliance Area, which forms part of the Legal Vice-Presidency, in coordination with and under the supervision of the Board of Directors and its Directors' Committee, this Program supervises compliance with the laws and regulation applicable to LATAM Airlines Group's businesses and activities in the different countries in which it operates.

| CORPORATE GOVERNANCE PRACTICES

On March 31, 2015, the Report on LATAM's Corporate Practices which was approved by LATAM Airlines Group's Board of Directors and prepared in accordance with General Norm N° 341 issued by the Superintendencia de Valores y Seguros (SVS) on 29 November 2012., was dispatched to this same organism. The information required under this norm is as of December 31 of each year and must be presented by March 31 of the subsequent year.

- The information filed annually with the SVS must refer to the following matters:
- The functioning of the Board of Directors.
- The relation between LATAM, its shareholders and the general public.
- The replacement and remuneration of LATAM's principal executives.
- The definition, implementation and supervision of LATAM's internal control policies and procedures and risk management.

As of December 31, 2015, LATAM Airlines Group had a total of 1,563 shareholders in its register and is controlled by the Cueto group.

| DECEMBER 31 OF 2015

	<i>Shareholder</i>	<i>N° Offshares 2015/12/31</i>	<i>%</i>
1	COSTA VERDE AERONAUTICA SA	90.427.620	16.6%
2	TEP CHILE SA	65.554.075	12.0%
3	INVERSIONES NUEVA COSTA VERDE AERONAUTICA LTDA	23.578.077	4.3%
4	BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	22.557.207	4.1%
5	J P MORGAN CHASE BANK	21.339.756	3.9%
6	COSTA VERDE AERONAUTICA SPA	20.000.000	3.7%
7	BANCO ITAU POR CUENTA DE INVERSIONISTAS EXTRANJEROS	18.653.574	3.4%
8	AXXION S A	18.473.333	3.4%
9	INVERSIONES ANDES SPA	17.146.529	3.1%
10	INVERSIONES HS SPA	14.894.024	2.7%
11	LARRAIN VIAL S A CORREDORA DE BOLSA	12.986.050	2.4%
12	BANCHILE C DE B S A	12.416.588	2.3%



OWNERSHIP
STRUCTURE
AND PRINCIPAL
SHAREHOLDERS

| DECEMBER 31 OF 2014

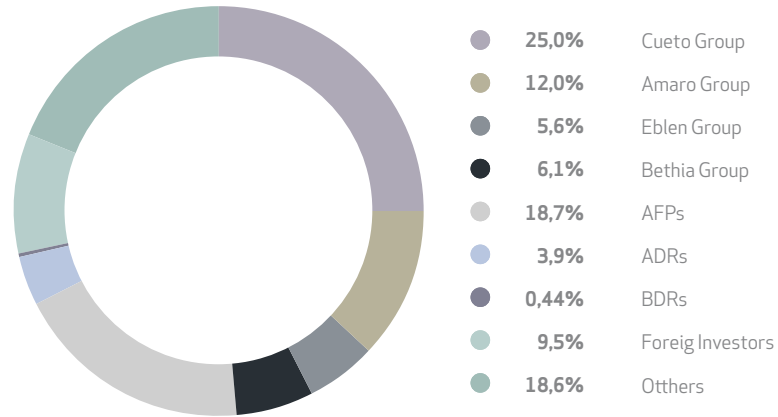
	<i>Shareholder</i>	<i>N° Offshares 2014/12/31</i>	<i>%</i>
1	COSTA VERDE AERONAUTICA SA	85,772,914	15.7%
2	TEP CHILE SA	65,554,075	12.0%
3	J P MORGAN CHASE BANK	41,936,775	7.7%
4	INVERSIONES NUEVA COSTA VERDE AERONAUTICA LTDA	22,928,277	4.2%
5	BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	21,904,156	4.0%
6	COSTA VERDE AERONAUTICA SPA	20,000,000	3.7%
7	BANCO ITAU POR CUENTA DE INVERSIONISTAS	19,744,217	3.6%
8	AXXION S A	18,473,333	3.4%
9	INVERSIONES ANDES SPA	17,146,529	3.1%
10	INVERSIONES HS SPA	14,894,024	2.7%
11	LARRAIN VIAL S A CORREDORA DE BOLSA	12,361,609	2.3%
12	BANCO SANTANDER POR CUENTA DE INV EXTRANJEROS	11,174,043	2.0%


 OWNERSHIP
 STRUCTURE
 AND PRINCIPAL
 SHAREHOLDERS

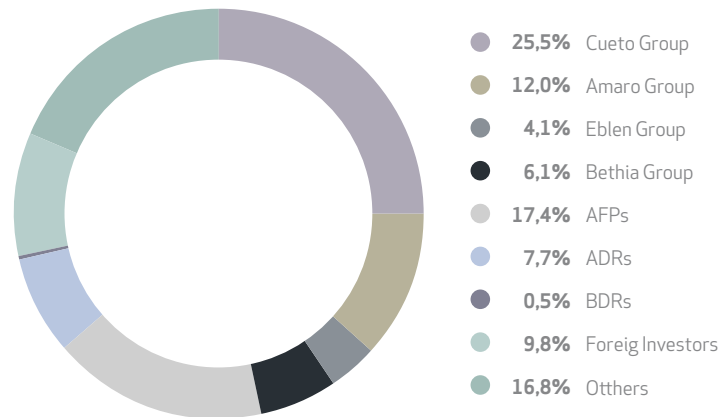


OWNERSHIP
STRUCTURE
AND PRINCIPAL
SHAREHOLDERS

| 2015



| 2014



Please find below the beneficial ownership of LATAM, both directly and indirectly, the major shareholder groups and the identification of individuals that control the investment entities.

1. The Cueto Group is LATAM's controlling shareholder, who is comprised by Mr. Juan José Cueto Plaza (one of the members of the Board), Ignacio Cueto Plaza (CEO of LAN), Enrique Cueto Plaza (CEO of LATAM) and some other members of the family. As of December 31, 2015 the Cueto Group owned 25.0% of LATAM's common shares through the following companies:

<i>Name or Social reason</i>	<i>Chilean Tax N°</i>	<i>Percentage</i>
Costa Verde Aeronáutica S.A.	81.062.300-4	16,58%
Inversiones Nueva Costa Verde Aeronáutica Ltda.	76.116.741-3	4,32%
Costa Verde Aeronáutica SpA	76.213.859-K	2,20%
Inversiones Priesca Dos y Cía. Ltda.	76.237.354-8	0,65%
Inversiones Caravia Dos y Cía. Ltda.	76.237.329-7	0,65%
Inversiones El Fano Dos y Cía. Ltda.	76.237.343-2	0,50%
Inversiones La Espasa Dos y Cía. Ltda.	76.327.426-8	0,05%
Inv. Puerto Claro Dos y Cía. Ltda.	76.327.422-5	0,04%
Inversiones La Espasa Dos S.A.	76.809.110-2	0,01%
Inversiones Puerto Claro Dos Limitada	76.809.120-K	0,01%
Inversiones Mineras del Cantábrico S.A.	96.625.340-1	0,00%
Total		25,0%



OWNERSHIP
STRUCTURE
AND PRINCIPAL
SHAREHOLDERS

2. Shareholders of COSTA VERDE AERONÁUTICA S.A. are the following:

<i>Shareholders</i>	<i>Percentage</i>
A. Inversiones Costa Verde Aeronáutica Limitada	99,81%
B. Inversiones Costa Verde Aeronáutica Ltda. y Cía. En Comandita por Acciones	0,17%
C. Larraín Vial S.A. C. de B.	0,02%
D. Inversiones Mineras del Cantábrico S.A.	0.0001%
E. Santander S.A. C. de B.	0,000008%

3. In turn, the controlling entity of Costa Verde Aeronáutica S.A. detailed above, INVERSIONES COSTA VERDE AERONÁUTICA LIMITADA (A in Table 2), holds the following shareholders:

<i>Members</i>	<i>Percentage</i>
A. Inversiones Costa Verde Limitada y Compañía en Comandita por Acciones	99,%
B. Inversiones Costa Verde y Cía. Ltda. ¹	0,9%
C. Inversiones Costa Verde Ltda. ²	0,1%

¹ The members of this society are the five brothers Cueto square (Enrique, Juan José, Ignacio, hope and succession of Philip), with 14% each and the children of every one of them who jointly hold the remaining 30%. All individualized in the number 5 below.

² Members of this society are the brothers Enrique Cueto Plaza, Juan Jose Cueto Plaza, Ignacio Cueto Plaza, each with a 33.3% ownership.



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4. INVERSIONES COSTA VERDE LIMITADA and COMPAÑÍA EN COMANDITA POR ACCIONES detailed above, (A in Table 3), holds the following shareholders ("Table 4"):

<i>Members</i>	<i>Main Member - 99,9%</i>	<i>Percentage</i>
A. Inmobiliaria e Inversiones El Fano Limitada	Enrique Cueto Plaza	8%
B. Inmobiliaria e Inversiones Caravia Limitada	Juan José Cueto Plaza	8%
C. Inmobiliaria e Inversiones Priesca Limitada	Ignacio Cueto Plaza	8%
D. Inmobiliaria e Inversiones La Espasa Limitada	Esperanza Cueto Plaza	8%
E. Inmobiliaria e Inversiones Puerto Claro Limitada	Sucesión Felipe Cueto Plaza	8%
F. Inmobiliaria e Inversiones Colunga Limitada	**	30%
G. Inversiones del Cantábrico Limitada	**	30%



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5. INMOBILIARIA E INVERSIONES COLUNGA LIMITADA and INVERSIONES DEL CANTÁBRICO LTDA., are 100% owned by the Cueto Group, and its main shareholders are:

<i>Members</i>	<i>ID Number</i>	<i>Members</i>	<i>ID Number</i>
A. Juan José Cueto Plaza	6.694.240-6	N. Manuela Cueto Sarquis	19.078.071-6
B. Ignacio Javier Cueto Plaza	7.040.324-2	O. Pedro Cueto Sarquis	19.246.907-4
C. Enrique Miguel Cueto Plaza	6.694.239-2	P. Juan Cueto Sarquis	19.639.220-3
D. María Esperanza Cueto Plaza	7.040.325-0	Q. Antonia Cueto Sarquis	20.826.769-8
E. Isidora Cueto Cazes	18.391.071-k	R. Fernanda Cueto Délano	18.395.657-4
F. Felipe Jaime Cueto Ruiz-Tagle	20.164.894-7	S. Ignacio Cueto Délano	19.077.273-k
G. María Emilia Cueto Ruiz-Tagle	20.694.332-7	T. Javier Cueto Délano	20.086.836-6
H. Andrea Raquel Cueto Ventura	16.098.115-6	U. Pablo Cueto Délano	20.086.837-4
I. Daniela Esperanza Cueto Ventura	16.369.342-9	V. José Cueto Délano,	20.963.574-7
J. Valentina Sara Cueto Ventura	16.369.343-7	W. Nieves Isabel Alcaíno Cueto	18.636.911-4
K. Alejandra Sonia Cueto Ventura	17.700.406-5	X. María Elisa Alcaíno Cueto	19.567.835-9
L. Francisca María Cueto Ventura	18.637.286-7	Y. María Esperanza Alcaíno Cueto	17.701.730-2
M. Juan José Cueto Ventura	18.637.287-5	Y. María Esperanza Alcaíno Cueto	17.701.730-2



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6. Shareholders of INVERSIONES NUEVA COSTA VERDE AERONÁUTICA LIMITADA are the following:

<i>Members</i>	<i>Percentage</i>
A. Costa Verde Aeronáutica S.A.	99,99%
B. Inversiones Costa Verde Limitada	0,01%

7. Shareholders of COSTA VERDE AERONÁUTICA SpA are the following:

<i>Shareholders</i>	<i>Percentage</i>
A. Inversiones Nueva Costa Verde Aeronáutica Dos S.A.	100%

8. Shareholders of INVERSIONES PRIESCA DOS Y CIA. LTDA. are the following:

<i>Members</i>	<i>Percentage</i>
A. Inversiones Priesca Dos S.A.	99%
B. Fernanda Cueto Délano Uno y Cía. Ltda.	1%

9. Shareholders of INVERSIONES CARAVIA DOS Y CIA. LTDA. are the following:

<i>Members</i>	<i>Percentage</i>
A. Inversiones Caravia Dos S.A.	99%
B. Manuela Cueto Sarquis Uno y Cía. Ltda.	1%



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10. Shareholders of INVERSIONES EL FANO DOS Y CIA. LTDA. are the following:

<i>Members</i>	<i>Percentage</i>
A. Inversiones El Fano Dos S.A.	99%
B. Andrea Raquel Cueto Ventura Uno y Cía. Ltda.	1%

11. Shareholders of INVERSIONES LA ESPASA DOS Y CIA. LTDA. are the following:

<i>Members</i>	<i>Percentage</i>
A. Inversiones La Espasa Dos S.A.	99%
B. María Esperanza Alcaíno Cueto Uno y Cía. Ltda.	1%

12. Shareholders of INVERSIONES PUERTO CLARO DOS Y CIA. LTDA. are the following:

<i>Members</i>	<i>Percentage</i>
A. Inversiones Puerto Claro Dos Limitada	99%
B. Isidora Cueto Cazes y Cía. Ltda.	1%

13. Shareholders of INVERSIONES LA ESPASA DOS S.A. are the following:

<i>Members</i>	<i>Percentage</i>
A. Inmobiliaria e Inversiones La Espasa Limitada	99%
B. María Esperanza Alcaíno Cueto Uno y Compañía Limitada	1%

14. Shareholders of INVERSIONES PUERTO CLARO DOS LTDA. are the following:

<i>Members</i>	<i>Percentage</i>
A. Isidora Cueto Cazes	33,33%
B. Emilia Cueto Ruiz Tagle	33,33%
C. Felipe Cueto Ruiz Tagle	33,33%
D. Inversiones Colunga Limitada	0,01%

INVERSIONES MINERAS DEL CANTÁBRICO LIMITADA is a company wholly owned by the Cueto Group, and its controlling shareholders are the individuals mentioned in number 5 above.

The remaining shareholders are a variety of institutional investors, legal entities and individuals. As of December 31, 2015, ADRs held a 3,9% LATAM's property and 0.4% share were in the form of BDRs.



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Please find below the controlling shareholders, other major shareholders and minority shareholders of LATAM, whose control is held alone or jointly (though a shareholder agreement), that are enabled to appoint at least one of the Company's management member, or holds 10% or more of controlling voting shares.



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³ Cueto Group which we also refer as "LATAM shareholders controllers", has entered into a shareholders agreement with drivers shareholders of LATAM, TEP Chile and TAM, whose terms are detailed below.

⁴ The Amaro group, to which we also refer as "TAM shareholders controllers", has signed a Pact of shareholders with LATAM and drivers shareholders of LATAM, the terms listed below.

PROPERTY (AS OF DECEMBER 31, 2015)	Ownership of common shares	Ownership Percentage of common shares
Shareholders		
Grupo Cueto ³	136,394,023	25,00%
Costa Verde Aeronáutica S.A.	88,759,650	16,27%
Inversiones Nueva Costa Verde Aeronáutica Ltda.	23,578,077	4,32%
Costa Verde Aeronáutica SpA	12,000,000	2,20%
Otros	12,056,296	2,21%
Grupo Amaro ⁴	65.554.075	12,02%
TEP Chile S.A.	65.554.075	12,02%
Grupo Eblen.	30.550.333	5,60%
Inversiones Andes S.A.	17.146.529	3,14%
Inversiones PIA SpA	5.403.804	0,99%
Inversiones Andes II S.A	8.000.000	1,47%
Grupo Bethia	33.367.357	6,12%
Axxion S.A.	18.473.333	3,39%
Inversiones HS SpA	14.894.024	2,73%
Otros accionistas minoritarios	274.297.439	50,28%
Total	545.558.101	100,00%

Following the business combination with TAM in 2012, the Amaro Group became also a controlling shareholder of LATAM Airlines Group, holding 100% of TEP Chile S.A. (Rut N° 76,152,798-3) ownership and the controlling property of Holdco I, which owns 100% of TAM's common shares. Members of the Amaro Group are our Chairman Mauricio Rolim Amaro and our former Director María Claudia Amaro. As of December 31, 2015, the Amaro Group held 12.01% of LATAM Airlines Group's common shares.

Finally, we point out that as of the date of this report, our shareholders haven't formulated any comments or proposals regarding the development of the Company's business.

The table below sets forth LATAM's beneficial ownership of its main executives and members of the Board:

<i>Total Shares Board of Directors</i>	<i>N° shares</i>	<i>Percentage</i>
Georges de Bourguignon Amdt	3.153	0,00%
Juan José Cueto Plaza ⁵	136.394.023	25,00%
Ramón Eblen Kadis ⁵	30.550.333	5,60%
Carlos Heller Solari ⁵	33.367.357	6,12%
Juan Gerardo Jofré	106.843	0,02%
Mauricio Rolim Amaro ⁵	65.554.075	12,02%
Total	265.975.784	48,75%

<i>Total Shares Senior Management</i>	<i>N° shares</i>	<i>Percentage</i>
Enrique Cueto Plaza ⁵ e Ignacio Cueto Plaza	136.394.023	25,00%
Armando Valdivieso Montes	67.359	0,01%
Andrés Osorio	23.824	0,00%
Enrique Elsaca	22.450	0,00%
Total	136.507.656	25,02%

⁵References to Juan José Cueto Plaza Enrique Cueto Plaza and Ignacio Cueto Plaza are part of group Cueto, Ramon Eblen Kadis of the Group Eblen, Carlos Heller Solari of the Bethia group and Mauricio Rolim Amaro of the Amaro group, since none of them has the number of shares mentioned above by itself, but rather through the Group involving.



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| SHAREHOLDERS' AGREEMENTS

After the combination of LAN and TAM in June 2012, LAN Airlines S.A. was transformed into "LATAM Airlines Group S.A." and TAM remains subsidiary Holdco I and LATAM. To implement this combination, controller shareholders of TAM formed four new corporations closed under Chilean law: TEP Chile, Holdco I, Holdco II and Sister Holdco. After carrying out the transaction, Holdco II and Sister Holdco ceased to exist.

Prior to the consummation of the business combination, LATAM Airlines Group and the LATAM controlling shareholders entered into several shareholders' agreements with TAM, the TAM controlling shareholders (acting through TEP Chile) and Holdco I, establishing agreements and restrictions relating to corporate governance in an attempt to balance LATAM Airlines Group's interests, as the owner of substantially all of the economic rights in TAM, and those of the TAM controlling shareholders, as the continuing controlling shareholders of TAM under Brazilian law, by prohibiting the taking of certain specified material corporate actions and decisions without prior supermajority approval of the shareholders and/or the board of directors of Holdco I or TAM. These shareholders' agreements also set forth the parties' agreement regarding the governance and management of the LATAM Airlines Group following the consummation of the business combination of LAN and TAM.

| GOVERNANCE AND MANAGEMENT OF LATAM AIRLINES GROUP

Regarding the Government and administration of the LATAM group, there are different shareholders agreements:

1. Controller Group Shareholder agreements: between shareholders drivers LATAM and TEP Chile, which establishes agreements concerning corporate governance, control and operation of LATAM, Holdco I, TAM, and their respective subsidiaries, and regulates transfers of the common shares of LATAM Airlines Group and the voting shares of Holdco I, property of TEP Chile.
2. Shareholder agreements between LATAM Airlines and TEP Group: LATAM-TEP Chile, which, in other matters, establishes agreements concerning corporate governance, management and operation of LATAM, and regulates relations between LATAM and other members of the Group LATAM.
3. Shareholder agreements of Holdco I: between LATAM, I Holdco and TEP Chile, which establishes corporate governance arrangements, administration and operation of Holdco I, and the votes and transfers of the voting shares of shareholders of Holdco I.
4. Shareholder agreements of TAM:: between LATAM, Holdco I, TAM and TEP Chile, which establishes agreements related to corporate governance, management and operation of TAM and its subsidiaries.

After the combination of LAN and TAM business, the shareholders agreements of TAM and Holdco I establish agreements between the parties with respect to the Government and administration of Holdco I, TAM and its subsidiaries (collectively, the "TAM group").

The following are the key provisions of the Shareholder agreements referred to in paragraphs 1 and 2 above. It is important to recall that the rights and obligations of the members of the group controller are regulated by the terms and conditions of such agreements of shareholders and not by the summary of any information contained in this annual report.

| COMPOSITION OF THE LATAM AIRLINES GROUP BOARD

Mr. Mauricio Rolim Amaro was reelected to the LATAM Airlines Group board of directors in April 2015. If Mr. Amaro vacates this position for any reason within that two-year period, TEP Chile has the right to select a replacement to complete his term. Thereafter, LATAM Airlines Group's board of directors will appoint any of its members as the chairman of LATAM Airlines Group's board of directors, from time to time, in accordance with the LATAM Airlines Group's by-laws. Mrs. Maria Claudia Oliveira Amaro was elected to the LATAM Airlines Group board of directors in June 2012, and resigned this position in September 2014. Also in September 2014,



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pursuant to Chilean law, Mr. Henri Philippe Reichstul was appointed by the board to fill her seat until the next general shareholders meeting. Mr. Reichstul will serve in this position until the next ordinary meeting of shareholders that took place in Santiago, Chile on April 28, 2015, in which was also appointed member of the Board.

| MANAGEMENT OF THE LATAM AIRLINES GROUP

Mr. Enrique Cueto Plaza has served as CEO of LATAM ("CEO LATAM") since June 2012. The CEO LATAM is the highest ranked officer of the LATAM Airlines Group and reports directly to the LATAM Board of directors. The CEO LATAM is charged with the general supervision, direction and control of the business of the LATAM Airlines Group and certain other responsibilities set forth in the LATAM Airlines Group-TEP shareholders' agreement. After any departure of the current CEO LATAM, our board of directors will select his or her successor after receiving the recommendation of the Leadership Committee.

Mr. Ignacio Cueto Plaza has served as CEO of LAN ("CEO LAN") since June 2012. The CEO LAN reports directly to the CEO LATAM and has general supervision, direction and control of the passenger and cargo operations of the LATAM Airlines Group, excluding those conducted by Holdco I, TAM and its subsidiaries, and the international passenger business of

the LATAM Airlines Group. The CEO LAN, together with Mr. Marco Antonio Bologna, the current CEO of TAM ("CEO TAM"), are responsible for recommending a candidate to the CEO LATAM to serve as the head of the international passenger business of the LATAM Airlines Group (including both long haul and regional operations), who shall report jointly to the CEO LAN and the CEO TAM. The key executives of the LATAM Airlines Group (other than the CEO LATAM and those in the TAM Group) will be appointed by, and will report, directly or indirectly, to the CEO LATAM.

The head office of the LATAM Airlines Group continues to be located in Santiago, Chile.

The following are the key provisions of the Shareholder agreements referred to in paragraphs 3 and 4 above. It is important to recall that the rights and obligations of the members of the group controller are regulated by the terms and conditions of such agreements of shareholders and not by the summary of any information contained in this annual report.

| COMPOSITION OF THE HOLDCO I AND TAM BOARDS

The Holdco I shareholders' agreement and TAM shareholders' agreement generally provide for identical boards of directors and the same chief executive officer at Holdco I and TAM, with LATAM appointing two directors and TEP Chile appointing

four directors (including the chairman of the board of directors). On April 30, 2014 Mr. Marco Antonio Bologna was named President of the Board of Directors of TAM S.A. replacing Mrs. Maria Claudia Oliveira Amaro and on September 8, 2014 Mrs. Maria Claudia Oliveira Amaro resigned her position as director of Holdco I. In her place, the board of directors appointed Mr. Henri Philippe Reichstul as a member of the board until the next general ordinary meeting of shareholders. A full renovation of the Board of Directors took place on April 28, 2015.

The control group shareholders' agreement provides that the persons elected by or on behalf of the LATAM controlling shareholders or the TAM controlling shareholders to our board of directors must also serve on the boards of directors of both Holdco I and TAM.

| MANAGEMENT OF HOLDCO I AND TAM

The day-to-day business and affairs of Holdco I will be managed by the TAM Group CEO under the oversight of the board of directors of Holdco I. The day-to-day business and affairs of TAM will be managed by the TAM Diretoria under the oversight of the board of directors of TAM. The TAM Diretoria will be comprised of the TAM Group CEO, the TAM CFO, the TAM COO and the TAM CCO. Marco Bologna, was the CEO of TAM, will be the initial CEO of Holdco I and TAM, or the "TAM Group CEO". This role is currently played by Claudia Sender. The TAM

Group CEO will have general supervision, direction and control of the business and operations of the TAM Group (other than the international passenger business of the LATAM Airlines Group) and will carry out all orders and resolutions of the board of directors of TAM. The initial chief financial officer of TAM, or the “TAM CFO,” has been jointly selected by LATAM and TEP Chile and any successor CFO will be selected by TEP Chile from three candidates proposed by LATAM. The chief operating officer of TAM, or the “TAM COO,” and chief commercial officer of TAM, or the “TAM CCO,” will be jointly selected and recommended to the TAM board of directors by the TAM Group CEO and TAM CFO and approved by the TAM board of directors. These shareholders’ agreements also regulate the composition of the boards of directors of subsidiaries of TAM.

Following the combination, TAM continues to be headquartered in São Paulo, Brazil.

| SUPERMAJORITY ACTIONS

Certain actions by Holdco I or TAM require supermajority approval by the board of directors or the shareholders of Holdco I or TAM which effectively require the approval of both LATAM and TEP Chile before the specified actions can be taken. Actions that require supermajority approval of the Holdco I board of directors or the TAM board of directors include, as applicable:

- to approve the annual budget and business plan and the multi-year business (which we refer to collectively as the “approved plans”), as well as any amendments to these plans;
- to take or agree to take any action which causes, or will reasonably cause, individually, or in the aggregate, any capital, operating or other expense of any TAM Company and its subsidiaries to be greater than (i) the lesser of 1% of revenue or 10% of profit under the approved plans, with respect to actions affecting the profit and loss statement, or (ii) the lesser of 2% of assets or 10% of cash and cash equivalents (as defined by IFRS) as set forth in the approved plan then in effect, with respect to actions affecting the cash flow statement;
- to create, dispose of or admit new shareholders to any subsidiary of the relevant company, except to the extent expressly contemplated in the approved plans;
- to approve the acquisition, disposal, modification or encumbrance by any TAM company of any asset greater than \$15 million or of any equity securities or securities convertible into equity securities of any TAM Company or other company, except to the extent expressly contemplated in the approved plans;
- to approve any investment in assets not related to the corporate purpose of any TAM

company, except to the extent expressly contemplated in the approved plans;

- to enter into any agreement in an amount greater than \$15 million, except to the extent expressly contemplated in the approved plans;
- to enter into any agreement related to profit sharing, joint ventures, business collaborations, alliance memberships, code sharing arrangements, except as approved by the business plans and budget then in effect, except to the extent expressly contemplated in the approved plans;
- to terminate, modify or waive any rights or claims of a relevant company or its subsidiaries under any arrangement in any amount greater than \$15 million, except to the extent expressly contemplated in the approved plans;
- to commence, participate in, compromise or settle any material action with respect to any litigation or proceeding in an amount greater than \$15 million, relating to the relevant company, except to the extent expressly permitted in the approved plans;
- to approve the execution, amendment, termination or ratification of agreements with related parties, except to the extent expressly contemplated in the approved plans;
- to approve any financial statements, amendments, or any accounting, dividend or tax policy of the relevant company;



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- to approve the grant of any security interest or guarantee to secure obligations of third parties;
- to appoint executives other than the Holdco I CEO or the TAM Diretoria or to re-elect the then current TAM CEO or TAM CFO; and
- to approve any vote to be cast by the relevant company or its subsidiaries in its capacity as a shareholder.

Actions requiring supermajority shareholder approval include:

- to approve any amendments to the by-laws of any relevant company or its subsidiaries in respect to the following matters: (i) corporate purpose; (ii) corporate capital; (iii) the rights inherent to each class of shares and its shareholders; (iv) the attributions of shareholder regular meetings or limitations to attributions of the board of directors; (v) changes in the number of directors or officers; (vi) the term; (vii) the change in the corporate headquarters of a relevant company; (viii) the composition, attributions and liabilities of management of any relevant company; and (ix) dividends and other distributions;
- to approve the dissolution, liquidation, or winding up of a relevant company;
- to approve the transformation, merger, spin-up or any kind of corporate re-organization of a relevant company;

- to pay or distribute dividends or any other kind of distribution to the shareholders;
- to approve the issuance, redemption or amortization of any debt securities, equity securities or convertible securities;

- to approve a plan or the disposal by sale, encumbrance or otherwise of 50% or more of the assets, as determined by the balance sheet of the previous year, of Holdco I;

- to approve the disposal by sale, encumbrance or otherwise of 50% or more of the assets of a subsidiary of Holdco I representing at least 20% of Holdco I or to approve the sale, encumbrance or disposition of equity securities such that Holdco I loses control;

- to approve the grant of any security interest or guarantee to secure obligations in excess of 50% of the assets of the relevant company; and

- to approve the execution, amendment, termination or ratification of acts or agreement with related parties but only if applicable law requires approval of such matters.

| VOTING AGREEMENTS, TRANSFERS AND OTHER ARRANGEMENTS VOTING AGREEMENTS

The LATAM controlling shareholders and TEP Chile have agreed in the control group shareholders agreement to vote their respective LATAM Airlines Group common shares as follows:

- until such time as TEP Chile sells any of its LAN common shares (other than the exempted shares as defined below held by TEP Chile), the LATAM Airlines Group controlling shareholders will vote their LATAM Airlines Group common shares to elect to the LATAM Airlines Group board of directors any individual designated by TEP Chile unless TEP Chile beneficially owns enough LATAM Airlines Group common shares to directly elect two directors to the LATAM Airlines Group board of directors;
- the parties agree to vote their LATAM Airlines Group common shares to assist the other parties in removing and replacing the directors such other parties elected to the LATAM Airlines Group board of directors;
- the parties agree to consult with one another and use their good faith efforts to reach an agreement and act jointly on all actions (other than actions requiring supermajority approval under Chilean law) to be taken by the LATAM Airlines Group board of directors or the LATAM Airlines Group shareholders;
- the parties agree to maintain the size of the LATAM Airlines Group board of directors at a total of nine directors and to maintain the quorum required for action



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by the LATAM Airlines Group board of directors at a majority of the total number of directors of the LATAM Airlines Group board of directors; and

- if, after good faith efforts to reach an agreement with respect to any action that requires supermajority approval under Chilean law and a mediation period, the parties do not reach such an agreement then TEP Chile has agreed to vote its shares on such supermajority matter as directed by the LATAM Airlines Group controlling shareholders, which we refer to as a “directed vote.”

The number of “exempted shares” of TEP Chile means that number of LATAM Airlines Group common shares which TEP Chile owns immediately after the effective time in excess of 12.5% of the outstanding LATAM Airlines Group common shares at such time as determined on a fully diluted basis.

The parties to the Holdco I shareholders agreement and TAM shareholders agreement have agreed to vote their voting shares of Holdco I and shares of TAM so as to give effect to the agreements with respect to representation on the TAM board of directors discussed above.

| TRANSFER RESTRICTIONS

Pursuant to the control group shareholders’ agreement, the LATAM Airlines Group controlling shareholders and TEP Chile

are subject to certain restrictions on sales, transfers and pledges of the LATAM Airlines Group common shares and (in the case of TEP Chile only) the voting shares of Holdco I beneficially owned by them. Except for a limited amount of LATAM Airlines Group common shares, neither the LATAM Airlines Group controlling shareholders nor TEP Chile were permitted to sell any of their LATAM Airlines Group common shares, and TEP Chile was not permitted to sell its voting shares of Holdco I, until June 2015. Since then, sales of LATAM Airlines Group common shares by either party are permitted, subject to (i) certain limitations on the volume and frequency of such sales and (ii) in the case of TEP Chile only, TEP Chile satisfying certain minimum ownership requirements. After June 2022, TEP Chile may sell all of its LATAM Airlines Group common shares and voting shares of Holdco I as a block, subject to (x) approval of the transferee by the LATAM board of directors, (y) the condition that the sale not have an adverse effect and (z) a right of first offer in favor of the LATAM Airlines Group controlling shareholders, which we refer to collectively as “block sale provisions.” An “adverse effect” is defined in the control group shareholders agreement to mean a material adverse effect on our and Holdco I’s ability to own or receive the full benefits of ownership of TAM and its subsidiaries or the ability of TAM and its subsidiaries to operate their airline businesses worldwide. The LATAM Airlines Group controlling shareholders have agreed to transfer any





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voting shares of Holdco I acquired pursuant to such right of first offer to LATAM for the same consideration paid for such shares.

In addition, TEP Chile may sell all LATAM Airlines Group common shares and voting shares of Holdco I beneficially owned by it as a block, subject to satisfaction of the block sale provisions, after June 2015 if a release event (as described below) occurs or if TEP Chile is required to make two or more directed votes during any 24-month period at two meetings (consecutive or not) of the shareholders of LATAM Airlines Group held at least 12 months apart and LATAM Airlines Group has not yet fully exercised its conversion option described below. A “release event” will occur if (i) a capital increase of LATAM Airlines Group occurs, (ii) TEP Chile does not fully exercise the preemptive rights granted to it under applicable law in Chile with respect to such capital increase in respect of all of its restricted LATAM Airlines Group common shares, and (iii) after such capital increase is completed, the individual designated by TEP Chile for election to the board of directors of LATAM Airlines Group with the assistance of the LATAM Airlines Group controlling shareholders is not elected to the board of directors of LATAM Airlines Group.

In addition, after June 2022 and after the occurrence of the full ownership trigger date (as described below under the “—Conversion Option” section), TEP Chile may

sell all or any portion of its LATAM Airlines Group common shares, subject to (x) a right of first offer in favor of the LATAM Airlines Group controlling shareholders and (y) the restrictions on sales of LATAM Airlines Group common shares more than once in a 12-month period.

The control group shareholders agreement provides certain exceptions to these restrictions on transfer for certain pledges of LATAM Airlines Group common shares made by the parties and for transfers to affiliates, in each case under certain limited circumstances.

In addition, TEP Chile agreed in the Holdco I shareholders agreement not to vote its voting shares of Holdco I, or to take any other action, in support of any transfer by Holdco I of any equity securities or convertible securities issued by it or by any of TAM or its subsidiaries without our prior written consent.

| RESTRICTION ON TRANSFER OF TAM SHARES

LATAM agreed in the Holdco I shareholders’ agreement not to sell or transfer any shares of TAM stock to any person (other than our affiliates) at any time when TEP Chile owns any voting shares of Holdco I. However, LATAM will have the right to effect such a sale or transfer if, at the same time as such sale or transfer, LATAM (or its assignee) acquires all the voting shares of Holdco

I beneficially owned by TEP Chile for an amount equal to TEP Chile’s then current tax basis in such shares and any costs TEP Chile is required to incur to effect such sale or transfer. TEP Chile has irrevocably granted us the assignable right to purchase all of the voting shares of Holdco I beneficially owned by TEP Chile in connection with any such sale.

Conversion Option

Pursuant to the control group shareholders’ agreement and the Holdco I shareholders’ agreement, we have the unilateral right to convert our shares of non-voting stock of Holdco I into shares of voting stock of Holdco I to the maximum extent allowed under law and to increase our representation on the TAM and Holdco I boards of directors if and when permitted in accordance with foreign ownership control laws in Brazil and other applicable laws if the conversion would not have an adverse effect (as defined above under the “—Transfer Restrictions” section). On or after June 2022, and after we have fully converted all of our shares of non-voting stock of Holdco I into shares of voting stock of Holdco I as permitted by Brazilian law and other applicable laws, we will have the right to purchase all of the voting shares of Holdco I held by the controlling shareholders of TAM for an amount equal to their then current tax basis in such shares and any costs incurred by them to effect such sale, which amount we refer to as the “sale consideration.” If we do not timely exercise our right to purchase these

shares or if, after June 2022, we have the right under applicable law in Brazil and other applicable law to fully convert all the shares of non-voting stock of Holdco I beneficially owned by us into shares of voting stock of Holdco I and such conversion would not have an adverse effect but we have not fully exercised such right within a specified period, then the controlling shareholders of TAM will have the right to put their shares of voting stock of Holdco I to us for an amount equal to the sale consideration.

Acquisitions Of Tam Stock

The parties have agreed that all acquisitions of TAM common shares by LATAM Airlines Group, Holdco I, TAM or any of their respective subsidiaries from and after the effective time of the business combination will be made by Holdco I.



OWNERSHIP
STRUCTURE
AND PRINCIPAL
SHAREHOLDERS

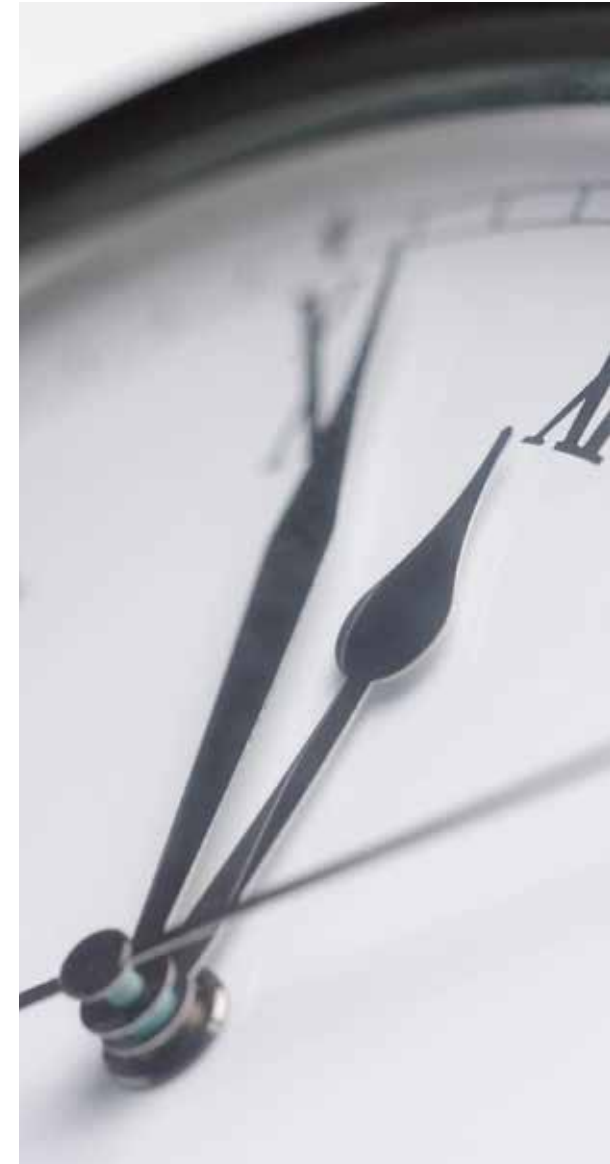
LATAM Airlines Group's policy is to pay the minimum dividends required by law or, in other words, 30% of profits in accordance with the regulation in force. This does not, however, preclude the distribution of dividends above this obligatory minimum level depending on the particular events and circumstances that may arise during the year.

No dividends were distributed in years 2013, 2014 and 2015 since LATAM reported net losses.

Going forward the company does not expect changes in dividend policy. En materia de dividendos, la Compañía ha establecido que éstos sean iguales al mínimo exigido por la ley, es decir un 30% de las utilidades de acuerdo a la normativa vigente.



OWNERSHIP
STRUCTURE
AND PRINCIPAL
SHAREHOLDERS



| FINANCIAL POLICY

The Directorate of Corporate Finance is responsible for managing the company's Financial Policy. This Policy enables LATAM to respond effectively to external conditions for the normal operation of the business, and thus maintain and anticipate a stable flow of funds to ensure continuity of its operations.

Additionally, the Finance Committee, formed by the Executive Vice-President and Members of the Board of Directors of LATAM, meets periodically to review and make recommendations to the Board about matters not regulated by the Financial Policy.

LATAM Airlines Group's Financial Policy seeks the following objectives:

Ensure a minimum level of liquidity for the operation. Preserve and maintain adequate cash levels to ensure the needs of the operation and growth. Maintain adequate level of lines of credit with local and foreign banks to be prepared to react to contingencies.

Maintain optimum leverage level, in a reasonable proportion in relation to the growth of operations and taking into account the objective of minimizing financing costs.

Capitalize cash surpluses, through financial investments that guarantee a risk level and liquidity consistent with the Financial Investment Policy.

Reduce the impacts of market risks such as variations in the price of fuel, exchange rates and interest rates on the company's net margin.

Reduce Counterparty Risk through diversification and investments and counterparty operations limits.

Maintain visibility of the long-term forecasted financial situation of the Company, so as to anticipate situations such as non-compliance with covenants, low liquidity, worsening of the financial ratios committed with rating agencies, etc.

The Financial Policy establishes guidelines and restrictions for managing operations related to Liquidity and Financial Investments, Financing Activities and Market Risk Management.

| LIQUIDITY AND FINANCIAL INVESTMENT POLICY

In 2015 LATAM Airlines Group carried out market operations to maintain adequate liquidity levels, ending December 2015 with a liquidity ratio of approximately 13,4% of total sales.

In this context, short-term debt of LATAM was approximately US\$387 million at the end of 2015, slightly higher than December 2014. Additionally, in 2015 the company increased debt in approximately US\$324,6 million, which is mainly explained by the liability management transaction carried out in June 2015, in which LATAM issued a US\$500 million long term bond

in the international markets, and interest rate at 7.25%, and also made full payment of the US\$300 million bond issued by the company TAM Capital 2, Inc., interest rate at 9.50%. These operations pursued liquidity growth and to reduce the group's leverage rate levels at the same time.

In 2015, LATAM maintained adequate liquidity levels, which is consistent with the objective of safeguard the company from potential external shocks and volatility and cycles inherent of the industry. The long-term objective is to maintain liquidity ratio around 15%.

Additionally, LATAM accounted at the end of 2015 committed credit facilities of US\$105 million with financial institutions, both local and international, which at the end of the period has not been used. On March 29, 2016, these facilities were replaced by a revolving committed line of credit, which is secured by airplanes, engines and parts for a total amount of up to US\$375 million.

Additionally, in 2015 the company continued to finance an important part of the fleet pre-delivery payments with its own resources, those related to the aircrafts that LATAM will receive in the future, for the Boeing and Airbus aircrafts. As of December 31, 2015, LATAM Airlines Group accounted US\$1,361 million in cash and easily convertible securities and US\$409.6 million in advances on aircraft financed with its own funds.

The objective of the company's Financial



| FINANCIAL POLICY



FINANCIAL POLICY

Investment Policy is to centralize the investment decisions, in order to optimize profitability, adjusted by currency risk, and maintain adequate security and liquidity levels.

Additionally, the company manages risk through counterpart diversification, terms, currencies and instruments.

| FINANCING POLICY

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

The vast majority of LATAM Airlines Group's investments are fleet acquisition programs, which are generally financed through the combination of own resources and long-term structured financial debt. Usually, LATAM finances between 80% and 85% through bank loans or bonds guaranteed by export promotion agencies, and the rest through commercial loans or its own funds.

Payment maturities of the different financing structures vary from 12 to 16 years, being the vast majority at 12 years. Additionally, important portion of LATAM's fleet acquisition undertakings take the form of operational leasing arrangements as additional financing measure.

Looking forward to diversify financing alternatives for airplanes, LATAM carried out on May 29, 2015 a private placement of debt certificated named Enhanced Equipment Trust

Certificates ("EETC") for an aggregate amount of US\$ 1.020,8 million. The execution of this operation allows the Company to broaden our aircrafts financing alternatives and mainly allowed the financing of the acquisition of eleven new Airbus A321-200 airplanes, two Airbus A350-900 airplanes and four Boeing 787-9 airplanes, whose deliveries were scheduled between July 2015 and March 2016. The acknowledgement of the debt is against the delivery of the planes, thus as of December 31, 2015 it was US\$675.7 million.

In the case of short-term financing, LATAM held as of December 31, 2015, approximately 4% of its total debt in the form of exporter and importer loans, looking forward to finance working capital needs.

A further objective of the Financing Policy is to ensure a stable profile of debt maturity and leasing commitments, including debt service and fleet rental services, which has to be consistent with the operational cash flow generation of LATAM.

| MARKET RISK POLICY

Due to the nature of its operations, LATAM Airlines Group is exposed to market risks such: (i) fuel-price risk, (ii) interest rate risk and (iii) exchange rate risk. Looking forward to the total or partial hedging against these risks, LATAM uses derivatives to fix or cap the increases of underlying assets. Market Risk management is carried out on a comprehensive manner and takes into account the correlation





FINANCIAL POLICY

between each exposure. In order to operate with counterparties, the Company must have a line and an ISDA or LFC contract signed with the chosen counterpart. Counterparts must have a Risk Rating equivalent to "A-" issued by an International Rating Agency.

i. Fuel-price risk:

Variations in fuel prices depend on an important extent on the oil demand and supply worldwide, the decisions taken by the Organization of Petroleum Exporting Countries ("OPEP"), the refining capacity worldwide, the stock levels available, the occurrence of weather phenomena and geopolitical factors. LATAM buys aircraft fuel known as Jet Fuel 54. There is an international reference index for this underlying asset – the US Gulf Coast Jet 54, which was used by LATAM Airlines Group for hedging purposes in 2015.

The Fuel Hedging Policy limits the minimum and maximum range of fuel to hedge, according to the capacity to transfer cost variations and market scenarios reflected in fuel prices. Additionally, the Policy narrows the hedging maximum term and allows portfolio restructuring.

In relation to the fuel hedging instruments, the Policy allows the use of Swaps and Options combined.

ii. Interest-rate risk of cash flows:

The variation of interest rates is strongly linked to the international economic situation. An improvement in the long-term economic

outlook leads to an increase in long-term interest rates, while a decline causes a decrease due to market effect. However, taking into account the government intervention, in economic contraction periods, benchmark interest rates tend to decrease in order to boost domestic demand to make credit more accessible to everyone and raise production (likewise, there are benchmark interest rate hikes in economic growth periods).

Uncertainty on market and governments behaviors, which impact interest rates variations, creates debt risk on LATAM debt, which is linked to floating-rate and its investments. Debt interest-rate risk is equivalent to future cash-flows risk of financial instruments, due to fluctuations of the markets interest-rates.

LATAM's exposure to market interest-rate changes is mainly related to long-term floating-rate liabilities.

In order to reduce the risk related interest rates growth, LATAM Airlines Group has interest-rate swaps and call options contracts outstanding. The instruments approved by the Interest-Rate Hedging Policy are Swaps and Options on interest rates.

iii. Exchange rate risk:

The US dollar is the functional currency used by the Company to determine the prices of its services, the structure of its classified statement of financial position and the effects on its operating results. There are two types

of exchange-rate risk: flow risk and balance sheet risk. Flow risk arises as a result of the net position of revenues and costs in currencies other than US dollar.

LATAM sells most of its services in US dollars, in prices equivalent to the US dollar or in Brazilian reais. Approximately 60% of its revenues are denominated in US dollars, while approximately 25% is in Brazilian reais

A large part of costs are denominated in US dollars or equivalents to the US dollar, especially fuel costs, airport charges, aircraft rentals, insurance and aircraft parts and accessories. Salaries on the other hand, are denominated in local currencies. The total percentage of costs denominated in US dollars is around 67%, while the approximate percentage of costs denominated in Brazilian reais is 19%.

LATAM Airlines Group's cargo and international passenger businesses prices are mostly defined in US dollars. In the domestic businesses, there is a mix: sales in Peru are mainly denominated in local currency; nonetheless prices are indexed to the US dollar. In Brazil, Chile, Argentina and Colombia, prices are denominated in local currency without any form of indexation. In Ecuador, in relation to prices for the domestic business, both prices and sales are denominated in US dollars. As a result of the above, LATAM is exposed to fluctuations in different currencies including, principally, the Brazilian reais, the Chilean peso and the euro.

LATAM Airlines Group has hedged against exchange-rate risk by acquiring currency forwards. As of December 31, 2015, LATAM accounted hedging mainly for the Brazilian reais for US\$270 million for the period January-June 2016.

On the other hand, balance sheet risk occurs when items included in the balance sheet are exposed to variations of exchange rates, because these items are denominated in a currency different than the functional currency. LATAM's policy allows it to acquire derivatives for protection against the appreciation or depreciation of currencies in relation to the functional currency used by the parent company. In 2015, LATAM didn't contract any hedging for balance sheet risk coverage.

The main mismatch factor is in TAM S.A., whose functional currency is the Brazilian reais, meanwhile a large part of its liabilities are denominated in US dollars. By the end of 2015, this mismatch accounted less than US\$700 million.



| FINANCIAL
POLICY



INTERNATIONAL
PASSENGER
OPERATIONS



CARGO
OPERATION



PROPERTY,
PLANT AND
EQUIPMENT



| BRAZIL



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU



CUSTOMER
LOYALTY
PROGRAMS

We are
connected
worldwide



INTERNATIONAL
OPERATIONS

LATAM is the main international flight operator in the region, offering its passengers the broader connectivity network of the industry, serving 45 international destinations (in addition to the domestic network) in 23 countries, using an average total fleet of 112 aircrafts during the period. LATAM's passenger operations include both regional flights in South America and the Caribbean and long-haul flights connecting the region with the rest of the world.

During 2015 LATAM carried 14.2 million passengers, increasing 3.9% compared to the previous year. Out of these passengers, 8.5 million flew domestic routes, and 5.7 million flew long-haul routes.

In this period, the international passengers operation developed in a complex environment in South America, with low economic growth in the Spanish speaking countries in which LATAM operates, and negative growth and high inflation mainly in Brazil, in addition to important devaluations of Latin American currencies, in particular the Brazilian reais and the Colombian peso. Additionally, the Company faced important imbalances of supply and demand, mainly in the routes from Brazil to the United States, which prompted a substantial decline in average prices.

In order to mitigate the impact of this challenging scenario, LATAM reduced its capacity offer in the Brazil to United States routes, thus promoting the more demanded routes, such as The Caribbean and Europe.

Strengthening its main international hub at the Guarulhos Airport, Sao Paulo, the Company complemented this strategy. Therefore, the consolidated international passengers traffic transported by LATAM (RPK) increased 5.4% compared to the previous year, while its capacity measured in ASK grew 6.4%, resulting in a load factor of 84.6%, showing a 0.8% decrease over 2014.

At a regional level, every airline of LATAM Group served 28 destinations, including four destinations in the Caribbean, for whose purpose the Company used a fleet mainly comprised by aircrafts from the Airbus 320 family. Its broad network coverage allowed LATAM to maintain its leading position in the domestic routes market, with 42.9% market share measured in (ASK). The main competitors in these routes are Avianca, Aerolíneas Argentinas, Gol and Tame, reaching market shares of 22.1%, 10.5%, 9.4% and 4.2%, respectively in the period.

As part of the objective of the Company to provide the best connectivity to its passengers in the region, LATAM increased 75% its offer to the Caribbean, mainly through the new routes to Punta Cana (Dominican Republic) from Buenos Aires, Brasilia and Bogota. Additionally, during the year LATAM opened new routes Buenos Aires-Brasilia and Buenos Aires-Recife, and also the new Sao Paulo (Guarulhos)-Punta del Este route.

One of the milestones of the period was the opening of the Antofagasta-Lima route in



December, with three weekly frequencies; therefore the Antofagasta airport became the second international terminal in Chile with scheduled flights. In addition, in the new route Montevideo-Lima will be inaugurated in January 2016, while promoting the Lima hub, which connects South America with Central America, United States and Europe.

With regards to the long-haul routes, as of December 2015 the Company covered 27 destinations, being the United States and Europe the most relevant markets and therefore important strategic markets for LATAM. In order to develop its long-haul operations, the Company uses mainly Boeing B767 and B787-8/9 aircrafts. Worth is to mention that in this period the phase out of the Airbus A340 fleet was completed, model that LAN used for almost 15 years to serve the Santiago-Auckland-Sydney route, this model was replaced by the Boeing 787-8 and afterwards by the B787-9. These aircrafts are more modern, more efficient and have greater capacity, and its incorporation in 2015 is also meant to reinforce the operations for the Santiago-Madrid and Santiago-Lima-Los Angeles routes.

Furthermore, in December the first Airbus A350 aircraft was incorporated to the fleet of TAM, with the mission of becoming one of the main aircrafts to operate long-haul flights to United States and Europe. This aircraft will begin operating in the Sao Paulo (Guarulhos)-Madrid route in April 2016, and will operate in the second semester in the Sao Paulo-Orlando

route, becoming the first airline in the Americas to operate this state of the art aircraft.

With regards to North America, LATAM's market share reached 24.3% (22.8% in 2014) measured in ASK, being American Airlines, United Continental and Delta its main competitors with 27.7%, 10.4% and 9.4% share of capacity respectively. In this period the Company opened the new Lima- Orlando and Brasilia-Orlando routes, and the Sao Paulo-Nueva York route was enhanced with the extension to Toronto. Additionally, the Company announced its plans to open new international routes from 2016, such as the first direct and nonstop of LAN Peru between Lima and Washington DC, starting from May, with which LATAM will be the only airline in the region with direct connection 4 times per week of the capital cities of Peru and the United States.

Regarding the European routes, LATAM's market share grew to 11.9% (10.8% in 2014) measured in ASK, where it mainly competes with Air France-KLM and Iberia-British Airways groups, with 22.1% and 20.2% share of capacity respectively, in addition to TAP and Lufthansa airlines, with 10.7% and 9.1% share of capacity respectively. Among the milestones of the period, worth is to highlight the growth rate of flights' offer to Europe from Brazil and Chile (7.0% and 6.0% growth respectively), being a profitable operation and oriented to strengthen the connectivity in the region. As such, TAM inaugurated direct flights from Sao Paulo (Guarulhos) to Barcelona with three




 | INTERNATIONAL
 OPERATIONS

weekly frequencies, thus being the first new destination that opens from Brazil to Europe in the last 5 years, and the sixth destination of the Company to Europe and the second in Spain.

Additionally, TAM is waiting for the authorities' approval to open flights from San Pablo to Johannesburg; therefore LATAM Group will be the only operator in Latin America to operate to the African continent on a regular basis.

With regards to the routes to Oceania, LATAM reached 42.8% market share in terms of traffic (39% in 2014). In these operations its main competitors are the Australian airline Qantas, with 43.3% market share, Emirates Airlines with 5.2% market share and Etihad Airways (the second airline of the United Arab Emirates), with 3.6% market share, among others.

Thanks to the permanent promotion of commercial alliances with other airlines—such as the inter airlines agreements, codes sharing and its participation in the oneworld alliance—, in addition to the 140 airports part of existent network of the Company, LATAM in enabled today to carry its passengers to every destination worldwide, therefore its service offer provides the best connectivity of the industry worldwide.

Regarding service, in this period LATAM continued its efforts to maintain the preference of its clients, thus providing the best flight experience. Likewise, the Company implemented wireless entertainment in 131

short-haul aircrafts and also in more than 3,000 short-haul flights. Additionally, in 2015 LATAM launched two new services in its web page: "Manage my booking" and "Flight Status", services that help clients to be informed in every moment and make the best travel decision. Likewise, the Company continued with the unification process of the check-in desks of LAN and TAM, and at the same time begun to test the Self-Bag Tag service at the Guarulhos and Brasilia airports, looking forward to make boarding times faster.

We are leaders
in the region 's
largest country

With a population of over 200 million people, Brazil is by far the largest domestic market in South America and the third worldwide. In 2015, 98 million passengers flew domestic routes in Brazil. This market is still an opportunity for LATAM, a market with low penetration of air transportation and high growth potential.

2015 was a particularly complex year for passenger transportation in Brazil, because of to the challenging economic scenario, with GDP declining 3,8%, inflation reaching 10.7% (the highest rate since 2002) and depreciation of the currency in relation to the dollar was 49% compared to 2014 (the largest decline in thirteen years).

This recession had a direct impact on the commercial aviation sector, thus impacting particularly the demand of business passengers. The domestic operation of LATAM represents approximately one third of its global passengers business, more than the aggregate of all of its local operations in the Spanish speaking countries where the Company operates.

A key to mitigate the impact of the economic slowdown of the country and especially the weakness of the reais, has been the discipline in the offer of the Company, which has been in place since its entry to Brazil in 2012, in a market who still has overcapacity. Worth is to highlight that during 2015 LATAM was the only company to reduce capacity in the domestic market in Brazil.

In 2015 the Company reduced its offer in 2.5% measured in ASK (seats per kilometer), which followed a reduction of 1.4% in 2014 and 8.4% in 2013. On the other hand, demand decreased 2.6% (measured in RPK), resulting in a healthy load factor of 81.6% for the year –above the average industry level–, representing a 0.1% fall compared to 2014.

It's expected that the situation in Brazil will continue to pressure the economy in 2016; and right in the middle of a new slowdown of the economy, LATAM announced a reduction of ASK in between 8% to 10%, with the objective of being more efficient in domestic routes, without affecting the connectivity of its passengers.

As of December 2015, TAM served 44 domestic destinations in 46 airports, operating approximately 650 flights daily. With 32 million passengers carried, which represented a decline of 4.0% compared to 2014, the Company maintained its leading position in domestic flights measured in RPK, with 37% market share, followed by the airlines GOL and Azul, with market shares of 36% and 17% respectively, being its main competitors. Additionally, in 2015 TAM remained as the preferred airline in the business passengers segment, reaching a market share of 32% in December 2015.

In order to serve its domestic operations, TAM used a fleet composed by 120 aircrafts from the Airbus A320 family, including the 27 Airbus



| BRAZIL



A321 -9 aircrafts more than 2014- fleet that allows the Company to cover more efficiently the busiest domestic routes.

Additionally, during 2015 the Company continued to focus on maintaining its strategic position in Brazil, improving connectivity from its main hubs, such as the Guarulhos and Brasilia terminals, being the latter the most important for domestic flights in Brazil. In line with the objective of strengthening the hub in Brasilia, TAM opened four new destinations in the country: Bauru, Juazeiro Do Norte, São José Dos Campos and Jaguaruna, the latter in connection to Congonhas, seeking to bolster the operations in the most profitable markets and reaching 8% growth in the number of passengers with connections on domestic flights compared to 2014.

Worth is to mention that in this period, and for seventh consecutive year, TAM lead the "Top of Mind" ranking in Brazil, and increased the gap with the second place, thus consolidating its leading position in the Brazilian market, despite the capacity reductions in the domestic network.

 BRAZIL

31,9

MILLION PASSENGERS



120

AIRCRAFT



44

DOMESTIC DESTINATIONS



37%

MARKET SHARE



GOL
AZUL
AVIANCA BRASIL

36%
17%
10%

We operate in six domestic markets in the region

In 2015, LAN Argentina in its 10th year in the country, where the airline has positioned as the second largest operator in domestic flights, where the market is dominated by Aerolíneas Argentinas, the government-owned company, with near 75% market share.

To keep this market position, the Company had been able to maintain its unwavering commitment to provide the highest safety, quality and service standards, which has been showed through the highest satisfaction scores and passengers' recommendation obtained during the year.

LAN accounted 2.4 million passengers transported in domestic routes, and ended the year with 25% market share, showing a 2.0% decrease over 2014. Its consolidated traffic measured in passenger-kilometers (RPK) grew 4.0%, while the capacity (ASK) increased in the same percentage; these gave a load factor of 76%, which represented a 0.2% increase over the previous year.

In 2015, the Company served 14 domestic destinations, connecting from and to Buenos Aires the following cities: Bahía Blanca, Bariloche, Comodoro Rivadavia, Córdoba, El Calafate, Iguazú, Mendoza, Neuquén, Río Gallegos, Salta, San Juan, Tucumán and Ushuaia.

LAN Argentina used 13 Airbus aircrafts from the A320 family to operate the domestic flights, one more than the previous year, and after the addition of extra equipment of this model to the fleet. The addition of this



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU



new aircraft, as well as the perspectives of renovation and fleet growth in the future, is a critical factor to improve the value proposal of the Company, whose priority is to continue the product and service improvement. This aircrafts are considered the most efficient of the industry for this type of operations, and at the same time they have the broader and comfortable passenger cabin of its kind.

In the context of the corporate strategy, which is focused to provide the best travel experience to passengers, in this period LAN added a new service IFE (In-Flight Entertainment) in every airplane, allowing the passenger to have access to movies, music, games and information in their own tablet or laptop.

Along the same line, in 2015 LAN inaugurated two new lines of sales in shopping centers in the city of Avellaneda (province of Buenos Aires) and in Rosario (province of Santa Fe), accounting three island shops and 17 commercial offices in the country as of December 2015.

LAN Argentina operates from Buenos Aires at Ministro Pistarini airport (Ezeiza) and at Aeroparque Jorge Newbery airport, the country's most important domestic passenger terminal. LAN Argentina has a hangar at this airport, which was inaugurated on November 2009.



ARGENTINA

2,4

MILLION PASSENGERS



13

AIRCRAFT A 320



14

DOMESTIC DESTINATIONS



25%

MARKET SHARE



AEROLINEAS ARGENTINAS

75%



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU

We operate in six domestic markets in the region



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU

| CHILE

Accounting 7.2 million passengers transported in Chile in 2015 (Easter Island is not included), similar volume to the previous year, LAN maintained its leadership in the industry, reaching 75% market share and considering that the market didn't experience any growth of demand and capacity due to de economic slowdown in the country. On domestic routes, the Company competes mainly with SKY Airlines, which as of December 2015 accounted 24.3% market share. Total passengers carried in Chile in the period January-December was nearly 9,7 million, and represented a 0.6% growth when compared to the same period 2014, according to the statistics provided by the Junta Aeronáutica Civil (JAC Chile).

The Company serves 15 domestic destinations (Easter Island is not included), thus covering the main cities in the countries from north to south. The Copa América de Fútbol (America Football Cup) that took place in Chile during June and July, LAN operated 30 extra flights, with 13 reinforcement flights to La Serena and 7 flights to Temuco, in addition to 10 charter flights to the regional airports in Antofagasta, La Serena, Concepción and Temuco.

In this period, the consolidated passenger traffic (RPK) increased 1.3% and capacity (ASK) grew 0.6% (ASK) compared to the previous year, and as a result, the average

load factor was a solid 82.8%, representing 0.8% increase over 2014, reaching the highest level in the last five years.

To serve domestic routes, LAN uses a fleet of 27 aircrafts from the Airbus A320 family, one less than the previous year. This was consequence of the incorporation of 6 new Airbus A321, whose capacity is 220 passengers -46 extra passengers per flight-, accounting a total of 7 units of this model by the end of the year. The aircraft Airbus A321 is the largest and most modern plane of the family, whose technology, materials and aerodynamics allows a more efficient operation of domestic flights and a significant reduction of CO2 emissions due to lower fuel consumption, thus contributing for the caring of the environment. For the flights to Easter Island, LAN started this year the operation of this route with the Boeing B787 Dreamliner.

Among the developments of the period, worth is to highlight the opening of the new Vip Lounge at the Santiago airport, being the largest in South America, whose entrance is located near the Preferred Check-in at Arturo Merino Benítez airport, right after police control. The new proposal consists on a high-end service, consistent and memorable, and a world-class design.

One of the challenges that the company had to face in the period in Chile, worth



is to mention the strike of workers of the Dirección General de Aeronáutica Civil, that took place on September 16 -right before the long weekend of National Holidays-, where LAN and TAM arranged additional flights thus providing more flight alternatives in Chile and also to the international flights starting from or arriving to Santiago. In such way, the Company was able to solve the contingency and also avoid any complication in its operations.

With regards to airport infrastructure, the Santiago airport provided 15 new additional spaces for aircraft parking on a remote platform. In addition, the works of the first phase for the mayor conservation of the main airport runway and the restoration of the ILS CAT III system were finished, which allows the landing of planes under conditions of low visibility (fog). In turn, in the provinces other than Santiago, the improvement works in Calama, Iquique and La Serena were completed.

Additionally, during 2015, the concession for Arturo Merino Benítez Airport was awarded to Sociedad Concesionaria Nuevo Pudahuel for a 20-year term. This is an international consortium with large experience worldwide, and responsible for the operations of airports such as Charles de Gaulle and Orly in Paris. The new project considers a capacity increase of 29 million passengers in 2020, as well as investments in distinctive elements such as service and technology.



CHILE

7,2

MILLION PASSENGERS



27

AIRCRAFT



15

DOMESTIC DESTINATIONS



75%

MARKET SHARE



SKY OTHERS

24%
1%

We operate in six domestic markets in the region



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU

| COLOMBIA

LAN Colombia has operated for four years, and in 2015 the Company transported 4.6 million domestic passengers, 4.0% increase over 2014, thus consolidating its position as the largest operator in the country, accounting a 22% market share, in a market that is considered the most competitive in Latin America. In domestic routes, LAN competes with Avianca (58.0%), Viva Colombia (12.0%), Satena (3.0%), Copa and EasyFly, with 2.0% market share each, among the main ones.

As of December 2015, LAN Colombia flew to 14 cities in the country with 17 routes, and offers broad connectivity alternatives from Bogotá and Medellín. The consolidated traffic per passenger (RPK) grew 15% and capacity increased in the same percentage, and as a result occupation load factor remained flat in 79%, similar to the previous period. This happened in a market that also got impacted by de regional economic slowdown.

Among the developments of the period, worth is to mention the inauguration of flights Cali-Medellín and Medellín-Cartagena, with 13 and 7 weekly frequencies respectively, allowing the Company to continue to deepen its decentralization plan of domestic operation, having a competitive offer to the local market without having to go through Bogotá. Additionally, during 2015 LAN Colombia strengthened its local service with the growth of seven weekly frequencies for the route Bogotá-Cúcuta, thus doubling the flights

per week. Likewise, the Company increased the offer for the route Medellín-San Andrés, reaching four weekly frequencies, therefore leveraging one of the touristic destinations more demanded in the country.

In order to develop its domestic short-haul operations, the Company ended the year with 15 Airbus aircrafts from the A320 family, with capacity for 174 passengers, and these airplanes are used also to serve the flights to Aruba, Cancún and Punta Cana in El Caribe. Client-facing, in August LAN Colombia launched its onboard wireless entertainment system "LAN Entertainment" in every airplane of its fleet A320, and this technology innovation allows it to offer a much competitive onboard service offer and also differentiate from the domestic airlines, thus allowing passengers to have access to movies, series and news, among others, from their own portable devices.

Worth is to highlight that in the second half of the year, the Company completed the total refund of the last Dash 8-200 equipment of the fleet (turboprop airplanes inherited from the former Aires, with capacity for 37 passengers and with an average age of 17 years), which operated in the cities of Neiva and Villavicencio, thus complying with the fleet renovation plan started in 2012.

With regards to service standards, one of the highlights of the year is the consolidation of LAN Colombia -for the third year in a



row- as the country's most punctual airline in domestic routes, with 95.2% of compliance, according to the latest report of the airlines compliance report issued by the Colombian aviation authority as of September 2015. This acknowledgement is due to the big effort carried out by the Company to continue encouraging the punctuality culture, investing in training, technology and modern fleet. LAN Colombia considers punctuality as an attribute that differentiates the airline when facing the client.

Among other initiatives created to enhance the value proposal for passengers, the launch of the program "LAN Events and Conventions" stands out, whose purpose is to offer to every company in the country an alternative to make business activities in different cities. Since its launch until December, 50 companies signed the program, with more than 1,700 passengers carried.



COLOMBIA

4,6

MILLION
PASSANGERS



15

AIRCRAFT
A320



14

DOMESTIC
DESTINATIONS



21%

MARKET
SHARE



AVIANCA
VIVA COLOMBIA
SATENA
EASYFLY
COPA

60%
11%
3%
2%
2%

We operate in six domestic markets in the region



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU

| ECUADOR

LAN Ecuador started up its domestic operations in 2009 and ever since has gradually positioned as a relevant operator in domestic routes. This has been possible due to the Company's constant efforts to offer passengers the best value proposal in terms of safety, reliability and service.

The Company serves five destinations through the Quito-Guayaquil and Quito-Cuenca routes and the Quito/Guayaquil route to the San Cristóbal and Baltra Islands in the Galápagos, offering connectivity that seeks to promote tourism and the country's economic development. In this direction, LAN Ecuador announced that starting from January 2016, it would operate a new direct flight in the Quito-Baltra route.

During 2015, the flight operations developed in a difficult economic scenario, just as most of the countries in the region. Ecuador is a small market, with approximately 16 million customers, whose economy was severely impacted by the sharp decline of oil prices -being the main export commodity - and also was impacted by the appreciation of the dollar, official currency in Ecuador since 2000.

In addition to the above, the reactivation of the Cotopaxi Vulcano's activity, whose ashes impacted the operations of the Guayaquil-Quito and Quito-Cuenca routes from the second week of August until the end of November. In this context, the Company

managed together with the Dirección General de Aviación Civil del Ecuador (DGAC) and the Fuerza Aérea Ecuatoriana the creation of an alternative route in a military area, in order to avoid the cloud of ashes that remained in the commercial flight route.

LAN Ecuador carried 1.1 million passengers on domestic routes, showing a 1.0% increase over 2014, and maintained its position as the second largest domestic operator in the country, with 33% market share, 2.2% higher than in the previous year. Its main competitors are the local airlines Tame, which holds 43% market share, and Avianca, with 25% market share.

The cancellation in January of the operation of Avianca in the Quito-Cuenca route, had a positive impact on LAN, thus increasing its market share in 11% for this route and the average rate grew 27%. For its part, Tame reduced its offer for the Guayaquil-Quito route since May, which prompted a 12% fall of the total seats capacity when compared to the previous year. Nonetheless, this didn't generate a huge impact in market share, allowing LAN to increase load factor by 1.7% when compared to 2014, reaching 74.9%.

During 2015, LAN Ecuador's consolidated passenger traffic grew 7.0%, measured in terms of RPK, while capacity measured in terms of ASK increased 8.0%. As a result, the average load factor reached 81.2%, falling 0.5% when compared to 2014.



In order to serve domestic routes, LAN Ecuador holds a fleet of three Airbus A319 airplanes, with no variation with respect to the previous year. These are airplanes that have lower capacity in relation to the A320, which allows the Company to adapt to the market's demand.



ECUADOR

1,1

MILLION PASSENGERS



3

AIRCRAFT



5

DOMESTIC DESTINATIONS



33%

MARKET SHARE



TAME
AVIANCA

43%
25%

We operate in six domestic markets in the region



ARGENTINA - CHILE
COLOMBIA
ECUADOR - PERU

| PERU

Taking into account the slowdown of Latin American economies in 2015, Peru stands out among the economies that showed better performance during the year, accounting a GDP growth of 3.3%.

During 2015, the airline industry accounted 11.3% growth in terms of domestic passengers transported in Peru compared to the previous year, with over 9.9 million people carried. LAN Peru remained as the main operator in these routes, accounting 6.2 million passengers carried in 2015, a 9.9% increase over the previous year. The consolidated passenger traffic (RPK) of the Company grew 8.3% and capacity (ASK) increased 8.0%. Likewise, the load factor was 81.6%, over the industry average, with 0.2% growth over the previous year.

LAN Peru flights to 16 destinations in the country –reaching up to 110 flights per day–, thus offering the best connectivity of the industry, with the greater variety of destinations and frequencies and with a clear approach to provide the best service to its clients. This has contributed to the consolidation of LAN Peru as the leader in the domestic market, reaching a market share of 62.1% in the passenger segment. Its main competitors are Peruvian Airlines, Avianca, Star Peru and LC, which in this period obtained market shares of 13.1%, 12.7%, 6.0% and 4.8% respectively.

The domestic operations use a fleet of 17 aircrafts, one less than in 2014, and comprises

nine Airbus A319 aircrafts and eight Airbus A320 aircrafts.

Among the major milestones of the year, worth is to highlight the recognition obtained by LAN Peru as the “Most Admired Company in Peru”, award granted by the ranking made by the international consultant PwC Peru and Revista G de Gestión. This acknowledgement is granted to those companies that stand out for its strategic vision, financial management, innovation capacity, commercial strategy, senior management quality, good corporate governance practices and corporate social responsibility initiatives. The nomination of the 10 awarded companies was the product of a survey made to 4,500 executives from the 1,500 largest companies in Peru in terms of billings.

Likewise, for the second year in a row, LAN Peru was awarded with the first place in the MERCOSUR 2015 ranking, in the air transportation category, ranking also in the 11th position of the general ranking of companies, an improvement compared to the place number 27 of 2014.

Additionally, LAN Peru was awarded with the Corporate Creativity Award, granted by Universidad Peruana de Ciencias Aplicadas (UPC), in the categories Tourism & Entertainment and Technology & Computing, for the project “Night Flights to Cusco” with RNP (Required Navigation Performance) technology, which has satellite navigation. The RNP system present in the Lima-Cusco route (starting from Sep-



tember 2013) represents a successful example of the revenue generation practices carried out by the Company. This technology uses avionics advanced capacity (discipline that studies the electronic techniques applied to air navigation) and supported by a satellite guide, allowing more accurate flights and to operate safely in low visibility conditions, avoiding delays and flight cancellations. In addition to this, the flight time reduction is 6.3 minutes, due to the route reduction of 35 nautical miles. All these advantages are translated in lower fuel consumption –with savings of 67.5 gallons– and a reduction of 644 kilos of CO₂ per flight. Furthermore, the implementation of aero satellite navigation technology to this route allowed the expansion of the Cusco Airport working hours to night hours, thus increasing revenues for the Company.

Finally, during the year LAN Peru continued making progress in its objective of being a socially responsible company. In this sense, worth is to mention that LAN Peru was able to compensate, for the fourth year in a row, its carbon footprint of land operations and workers' activities, equivalent to 6,500 tons of CO₂, plus a total of 25,390 tons compensated in 2015.



PERU

6,2

MILLON PASSENGERS



17

AIRCRAFT



16

DOMESTIC DESTINATIONS



62%

MARKET SHARE



PERUVIAN AIRLINES
AVIANCA
STAR PERÚ

13%
13%
6%

We are the best cargo operator in the region

LATAM is the largest air cargo operator in Latin America, which offers its clients the widest connectivity within the region and worldwide, with over 140 destinations in 29 countries. The Company transports cargo in the bellies of 315 passenger aircrafts and also in 11 fully dedicated freighters (three B777-200F aircrafts and eight B767-300F aircrafts, excluding aircrafts that has been leased to other operators).

In 2015 LATAM transported 1 million tons of cargo, 9.0% down from 2014. The offer measured in ATKs decreased 1.9%, and as a result the load factor reached 53.6%, being 6.2% lower than the previous year. These reductions resulted from the complex scenario for air cargo demand worldwide, which has showed low growth rates in the recent years. In 2015, cargo demand showed a slight decrease of 3% compared to the previous year.

The situation of cargo markets in the region has been even more difficult due to the weak development of the economies, the strong depreciation of currencies against the dollar and the important political instability. This environment mainly impacted the cargo traffic for imports, which decreased 17% in the routes from the United States to Latin America, being Brazil the country most impacted, with a 25% decline compared to the previous year.

Export markets in Latin America remained stable, despite the circumstantial effects caused by the weather problems that impacted seasonal demands, such as the fruit coming from Argentina and the lower production of seeds in Chile, being 60% lower than 2014. Isolating these one-time

effects, we foresee healthy growth of the main commodities such as salmon in Chile and flowers in Colombia and in Ecuador, whose growth rates were 10% and 3% respectively compared to 2014.

With regards to the cargo domestic markets, it was also impacted by the complex environment in the region, being again Brazil the country most affected, with 9.0% decrease in tons transported. It's important to highlight in this challenging environment, that TAM Cargo maintained its leadership in the market with a market share of nearly 47%.

In addition to the challenging demand scenario observed in the period, worth is to consider the oversupply triggered by the cargo capacity growth of passenger's aircrafts and the increasing operations of freighters in the region. The stronger competition, together with the sharp decline of fuel prices, pressured down the fees of the industry. As such, globally these fees were 18% lower than 2014.

Looking forward to face this scenario, the Company continued working on the initiative started in 2014 to adjust its fleet of fully dedicated freighters. This way, during 2015 two aircrafts with low capacity use were phased-out, one B767-300F aircraft and one B777-200F aircraft, who were leased to other operator. Therefore, at the end of the period, the cargo fleet of LATAM and subsidiaries was comprised by three B777-200F aircrafts and eight B767-300F aircrafts, thus decreasing its potential offer in 30% with respect to 2013. This has allowed the Company not only to improve the assets profitability, but



CARGO
OPERATION



also to focus its efforts to optimize the cargo capacity of its passenger's aircrafts.

However, the focus of LATAM in 2015 was not only to face challenges, but also to strengthen its capacities and its long-term competitive position. Accordingly, efforts were concentrated on cost optimization, reinforcement on network development and improvement of service and the value proposal for the client.

With regards to competitiveness, the Company continued its cost savings measures, thanks to simpler and more efficient processes, which were carried out under the LEAN methodology. In addition, the operational and support areas were integrated with the corporate areas in LATAM, thus simplifying the structure of business areas with regards to long-term challenges.

Regarding the international network, on one side stands out the higher connectivity capacity generated by a better planning and optimization of operations in the main hubs of the Company, and also the commercial agreements subscribed with other operators that allow the Company to continue expanding coverage towards other regions. Therefore, it's important to mention the deepening of certain agreements with Asian airlines who will allow LATAM to better connect its network in that continent.

In relation to the value proposal improvements for the client, in 2015 the efforts consisted on the design and standardization of processes that will allow the delivery of greater consistency and clear promises to the market. The first

achievement was the implementation of Pharma product, which is oriented to the pharmaceutical cargo market, which allows the optimization of the transportation process of this type of product using strict temperature controls and specialized handling.

With all this, 2015 was a challenging year for the cargo unit of the LATAM Group, who faced a complex foreign context and also made progresses in consolidating an integrated the cargo and passenger networks, strengthening connectivity, enhancing the value proposal and the portfolio of products for its customers, besides the continuity of processes and costs optimization, in a way to ensure the future competitiveness of the Company.



CARGO OPERATION

1M

MILLION TONS



11

FREIGHTERS



140

DESTINATIONS IN **29 COUNTRIES**





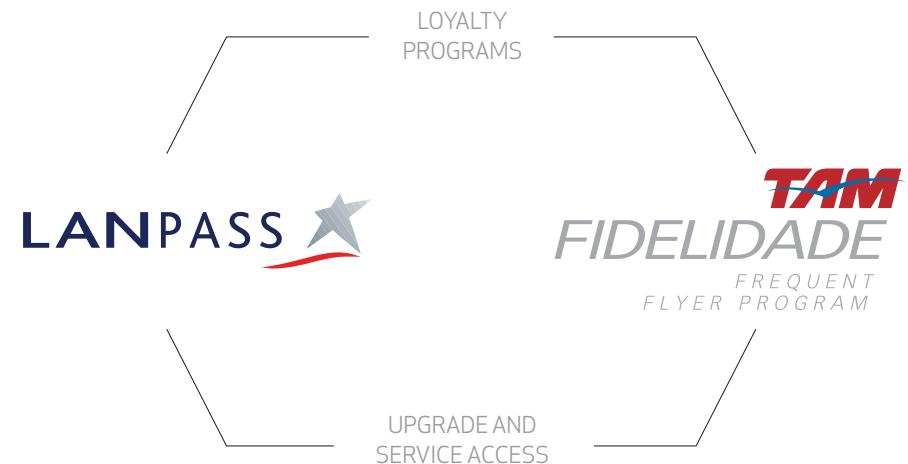
More benefits for our customers

LAN and TAM operate their own “loyalty programs”—LANPASS and TAM Fidelidade, respectively— whose objective is to recognize the loyalty of frequent flyer passengers and reward them with different benefits and awards. During 2015 the plans for these airlines was to continue operating independently, nonetheless the Company continued working in order to standardize the two programs in line with the process of homogenization facing the customer, to whom LATAM is committed across all areas of its operations.

At the moment, passengers registered on each program may earn and redeem kilometers or points on any flight in the network administered by the two airlines and their associated airlines. Likewise, the other program already recognizes top tier members of each program so, for example, LANPASS members can obtain upgrades on TAM flights and members of TAM

Fidelidade on LAN flights. In addition, both may have access to the same airport services, such as preferred check-in, among other benefits.

LANPASS is the frequent flyer program created by LAN in 1984. Members of the program earn kilometers every time they fly with LAN, TAM or any other other airline member of oneworld, as well as when shopping with or using the services of companies around the world which have an agreement with LANPASS. Members of the program can exchange LANPASS kilometers for free tickets as well as different products from the program’s catalogue or other options such as gift cards from certain retail stores, among others. The program includes four “elite” categories: Premium, Premium Silver, Comodoro and Black. These categories have their equivalents in this alliance where Ruby corresponds to the Premium category, Sapphire to Premium Silver and Emerald to Comodoro and Black.





LOYALTY PROGRAMS

As of December 2015 LANPASS had 10.9 million members, a 13% growth over 2014, mainly distributed in Chile, Peru, Argentina, Colombia, Ecuador and the United States.

For its part, the frequent flyer program of TAM was created in 1993, with the purpose to reward those passengers who fly regularly with the airline, through different benefits and exclusive offers. In this case, members earn points each time they fly with TAM, LAN or any other airline that belongs to the oneworld alliance. As of December 2015, TAM Fidelidade had 12.8 million members, all of them in Brazil, reaching 8,0% growth over 2014. The program includes four Elite categories - Azul, Vermelho, Vermelho Plus and Black - which now have their equivalent categories in the oneworld alliance - Ruby for Azul, Sapphire for Vermelho and Emerald for Vermelho Plus and Black - giving members access to more benefits, including that of priority on the waiting list of any airline in the oneworld alliance.

TAM Fidelidade is administrated by Multiplus, a company listed on the Sao Paulo stock exchange in which LATAM Airlines Group is the main shareholder with a 73% stake. Multiplus is Brazil's largest and best loyalty network and allows members to accumulate Multiplus points in a single account at more than 13.000 stores affiliated to the program, and allows to exchange their points in over 550.000 different products and services. As of December 2015 the Multiplus network comprised over 465 partners and nearly 13.0 million members.

By mid-2015, TAM and Multiplus modified the points exchange program, which was in place for approximately 10 years; with the purpose of improving the long-term relationship of both companies. The new contract considers a 3% reduction for each 10,000 points exchanged in TAM tickets, and also modified the exchange system, from a fixed rate by seat to a dynamic prices formula related to the type of seat.

Among the achievements of the period, we highlight the implementation of the "Fly Higher" campaign, both in LAN and TAM, whose purpose is to rewards the passengers' preference with additional benefits. Among these benefits, the access to free preferred seats in Economy class domestic flights, extra bonuses for the kilometers/ points accrued for Business class flights and access to the best network of VIP lounges in South America with a guest.

Moreover, the qualification rules for the four Elite categories were reduced in most of the

countries where the Company operates. For instance, in the past a member needed 150,000 LANPASS KILOMETERS to become Comodoro partner in Chile, now the requirement is 140,000 kilometers.




 | PROPERTY,
 PLANT AND
 EQUIPMENT

| HEADQUARTES

Our main facilities are located near the Comodoro Arturo Merino Benítez International Airport. The complex includes office space, conference space and training facilities dining facilities and mock-up cabins used for crew instruction.

Our corporate offices are located in a more central location in Santiago, Chile.

| MAINTENANCE BASE

Our maintenance base is located on a site inside the grounds of the Comodoro Arturo Merino Benítez International Airport. This facility contains our aircraft hangar, warehouses, workshops and offices, as well aircraft parking area capable of accommodating up to 30 short-haul aircraft or 10 long-haul aircraft.

| MIAMI FACILITIES

We occupy site at the Miami International Airport that has been leased to us by the airport under a concession agreement. Our facilities include corporate building of around 4,450m², a cargo warehouse (including meter cooling area) of around 35,000m² and aircraft-parking platform of around 72,000m², apart from totally equipped offices. In addition, during 2015, LATAM opened the first maintenance hangar of the Company in Miami, with a surface of 6,200m² for aircraft maintenance and adjacent infrastructure (workshop, stores

and offices). The project required a final investment of US\$ 16.4 million, fully funded by the Company.

| OTHER FACILITIES

We own a flight-training center on the side of the Comodoro Arturo Merino Benítez International Airport. We have also developed a recreational facility for our employees with Airbus' support. The facility, denominated "Parque LAN," is located on land that we own near the Comodoro Arturo Merino Benítez International Airport.

| LAN PERU'S PROPERTY, PLANT AND EQUIPMENT

LAN Peru has approximately 19,000 m² built. All facilities are leased and are distributed as follows:

- Administrative Offices: 7,000 m²
- Sales Offices: 2,000 m²
- Concessions airports: 10,000 m²

| LAN COLOMBIA'S PROPERTY, PLANT AND EQUIPMENT

LAN Colombia has approximately 27,500 m² built. All facilities are leased and are distributed as follows:

- Administrative Offices: 4,500 m²
- Sales Offices: 1,700 m²
- Concessions airports: 21,300 m²

| LAN ECUADOR'S PROPERTY, PLANT AND EQUIPMENT

LAN Ecuador has approximately 14,500 m² built. All facilities are leased and are distributed as follows:

- Administrative Offices: 1,600 m²
- Sales Offices: 1,000 m²
- Concessions airports: 11,900 m²

| LAN ARGENTINA'S PROPERTY, PLANT AND EQUIPMENT

LAN Argentina has approximately 18,000 m² built. All facilities are leased and are distributed as follows:

- Administrative Offices: 6,600 m²
- Sales Offices: 2,600 m²
- Concessions airports: 8,700 m²

| TAM'S PROPERTY, PLANT AND EQUIPMENT

| HEADQUARTES

TAM's main facilities are located in São Paulo, in hangars within the Congonhas Airport and nearby. At Congonhas Airport, TAM leases hangars belonging to INFRAERO (the Local Administrator Airport): Hangar VII, Hangar VIII, Hangar III. The Service Academy is located about 2.5 km from Congonhas Airport, is a separate property which TAM owns, exclusively for the areas of Selection, Medical Service, Training, and Mock-ups.

| MAINTENANCE BASE

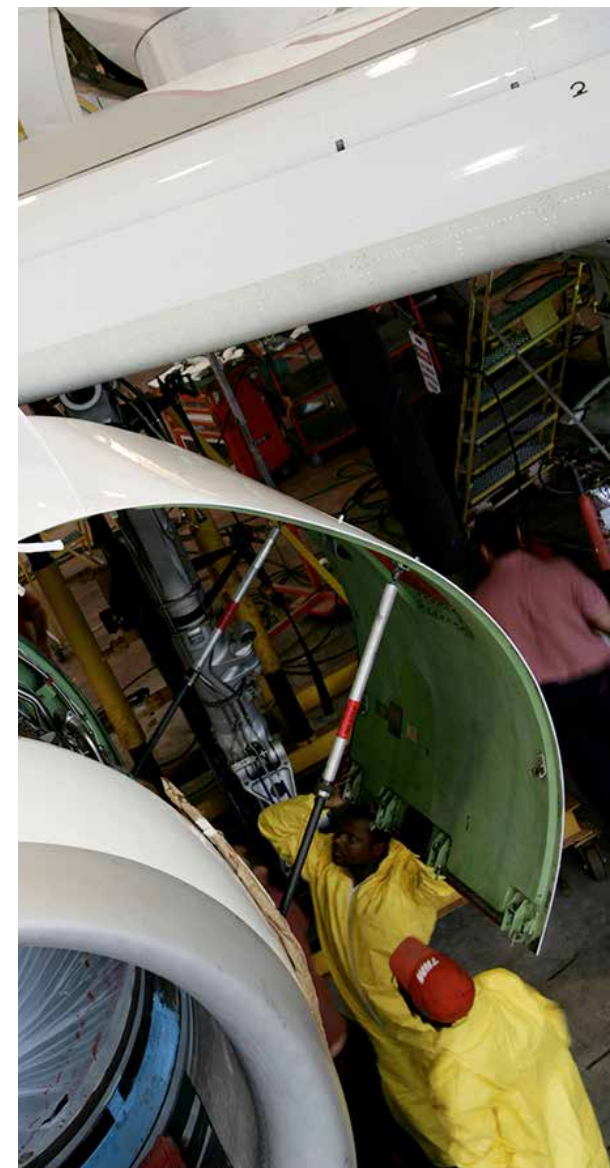
At Hangars II and V in Congonhas Airport, which TAM has offices and hangars. This site also houses the areas of Aircraft Maintenance, Procurement and Logistics of Aeronautical Materials.

| OTHER FACILITIES

In São Paulo, TAM has other facilities such as: Commercial Headquarters, Uniform Building, Morumbi Office Tower and a Call Center Building. Besides, in São Paulo, TAM has the offices belonging to the Group as: Multiplus Office, TAM Viagens Office, one store of TAM Viagens and Bahia state. In Guarulhos, TAM has a Passenger Terminal, Operational Areas such as Check-in, Ticket Sales, Check Out, Operations Areas, VIP Lounges, Aircraft Maintenance, GSE, Cargo Terminal, Distribution Centers, etc.



PROPERTY,
PLANT AND
EQUIPMENT





| INDUSTRY
OVERVIEW



| REGULATORY
FRAMEWORK



| FINANCIAL
RESULTS



| AWARDS AND
RECOGNITIONS



| MATERIAL
FACTS



| STOCK MARKET
INFORMATION



| RISK
FACTORS



| ADDITIONAL
INFORMATION



| INVESTMENT
PLAN

Emerging economies boost the industry



INDUSTRY OVERVIEW

During 2015, the global airline industry was challenged by different macroeconomic factors. Among the positive factors we can highlight the sharp fall of fuel prices to an average of US\$52.3/ barrel, a 47% drop compared to 2014. Among the negative factors, the strong depreciation of local currencies against the dollar stands out, in addition to the lower growth of the main economies of the region, specially Brazil.

In general, 2015 was a good year for the industry, which was reflected in the 6,5% increase in passengers' traffic, above the average for the last ten years and with increases in demand in every region worldwide, where the growth of Middle East, Asia Pacific and Latin America stands out, thus prompting a substantial improvement of the operational result and the profits of the global industry, which are estimated to be US\$33.0 billion (US\$17.3 billion in 2014).

At a domestic and regional level, the trend towards the low-cost model is still in place, which has shown a significant expansion, and greater passengers' segmentation according to their travel needs.

Additionally, the trend towards the strengthening of alliances and cooperation agreements among the world's airlines continues, being a key factor the better performance of these alliances lately, thus improving connectivity for passengers.

With regards to the different geographic markets, the North American airlines had an

outstanding year in terms of profits, mainly explained by low fuel costs, and the strong domestic demand, partially compensated by lower revenues resulting from the strength of the dollar in relation to other currencies. Additionally, we observe a less fragmented and more disciplined industry, with better labor relations and supported by the creation of increased ancillary revenues.

In Europe, the growth of traffic was driven by the recovery of consumer spending in the Eurozone, in addition to the slight growth of the frequencies within the region. Despite that the economic environment improved from the previous years, challenges remained, mainly caused by the strike of Lufthansa and Air France-KLM employees after their efforts to restructure its operations towards a low cost model, looking forward to compete with the increasingly popular Ryanair and EasyJet, besides the closing of operations of the Russian airline Transaereo.

In the Asia-Pacific region, operators showed the second fastest growth within regions, prompted by an increase in the number of airports with direct connections within the region, which stimulated passengers' demand, and therefore decreased waiting times for customers, partly offsetting the lower economic growth of the region.

In Latin America, the economic slowdown and the strong depreciation of local currencies pressured unit revenues of operators in 2015. Particularly Brazil, country that represents


 | INDUSTRY
 OVERVIEW

approximately 50% of the traffic in the region, experienced a strong economic slowdown, thus impacting the business passengers' demand, where capacity discipline was a key factor to reach healthy load factors. Despite the latter, international passengers traffic within the region still shows solid growth rates (9.3%), while domestic markets traffic were weaker, mainly in Brazil.

Regarding the cargo business, traffic showed a slight slowdown on its growth rate, growth reached 2.2% in 2015 compared to the 4.5% expansion achieved in 2014. Growth in this period was driven by the Middle East (+11.3%), while cargo in Latin America (-6,0%) remained weak mainly due to lower imports from Brazil. In addition, the lower growth of the Asian markets explains in large part the weakening of the cargo business worldwide.

One of the main issues of 2015 was the drop in fuel prices. The average price of jet fuel was US\$52.3/ barrel in 2015. The impact of this drop, although positive for the airline industry as a whole, had a different impact by region depending on the strength/ weakness of their economies and currencies, and also on the level of competition. In some cases, hedging also meant that much of the benefit of lower fuel prices was not captured. In 2016, fuel prices are expected to remain low, benefiting airlines.

Given the industry's current structure and the fuel price outlook, the International Air Transport Association (IATA) expects an increase in global returns in 2016, with the industry's profits reaching US\$36,3 billion and operating margin of 5.1%, being a record result for the industry. This growth is partly driven by the lower fuel average price forecasted for 2016, as well as the efficiencies improvements achieved by the industry in general. It's worth to highlight that the growth drivers for global traffic in 2016 will continue to be the emerging economies, mainly Asia-Pacific, Middle East and Latin America. Due to their economic growth outlook and the still low penetration of air travel in these countries, this trend is expected to persist over the next 20 years.



Airlines regulation can have important effects on industry competition and doing business in Chile.



REGULATORY FRAMEWORK

| CHILE 'S AERONAUTICAL REGULATION

Both the DGAC and the JAC oversee and regulate the Chilean aviation industry. The DGAC reports directly to the Chilean Air Force and is responsible for supervising compliance with Chilean laws and regulations relating to air navigation. The JAC is the Chilean civil aviation authority.

Primarily on the basis of Decree Law No. 2,564, which regulates commercial aviation, the JAC establishes the main commercial policies for the aviation industry in Chile, regulates the assignment of international routes, and the compliance with certain insurance requirements, and the DGAC regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management.

We have obtained and maintain the necessary authority from the Chilean government to conduct flight operations, including authorization certificates from the JAC and technical operative certificates from the DGAC, the continuation of which is subject to the ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

Chile is a contracting state, as well as a permanent member, of the ICAO, an agency

of the United Nations established in 1947 to assist in the planning and development of international air transport.

The ICAO establishes technical standards for the international aviation industry, which Chilean authorities have incorporated into Chilean laws and regulations.

In the absence of an applicable Chilean regulation concerning safety or maintenance, the DGAC has incorporated by reference the majority of the ICAO's technical standards. We believe that we are in material compliance with all relevant technical standards.

| ROUTE RIGHTS

Domestic Routes.

Chilean airlines are not required to obtain permits in connection with carrying passengers or cargo on any domestic routes, but only to comply with the technical and insurance requirements established respectively by the DGAC and the JAC. There are no regulatory barriers that would prevent a foreign airline from creating a Chilean subsidiary and entering the Chilean domestic market using that subsidiary. On January 18, 2012 the Secretary of Transportation and the Secretary of Economics of Chile announced the unilateral opening of the Chilean domestic skies. This was confirmed in November 2013 and is valid as of today.



REGULATORY FRAMEWORK

International Routes.

As an airline providing services on international routes, LAN is also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between Chile and various other countries. There can be no assurance that existing bilateral agreements between Chile and foreign governments will continue, and a modification, suspension or revocation of one or more bilateral treaties could have a material adverse effect on our operations and financial results.

International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Chile and foreign governments. Under such agreements, the government of one country grants the government of another country the right to designate one or more of its domestic airlines to operate scheduled services to certain destinations of the former and, in certain cases, to further connect to third-country destinations.

In Chile, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. If there is more than one applicant for a route frequency the JAC awards it through a public auction for a period of five years. The JAC grants route frequencies subject to the condition that the

recipient airline operate them on a permanent basis. If an airline fails to operate a route for a period of six months or more, the JAC may terminate its rights to that route. International route frequencies are freely transferable. In the past, we have generally paid only nominal amounts for international route frequencies obtained in uncontested auctions.

| AIRFARE PRICING POLICY

Chilean airlines are permitted to establish their own domestic and international fares without government regulation. For more information, see “—Antitrust Regulation” below.

In 1997, the Antitrust Commission approved and imposed a specific self-regulatory fare plan for our domestic operations in Chile consistent with the Antitrust Commission’s directive to maintain a competitive environment.

According to this plan, we must file notice with the JAC of any increase or decrease in standard fares on routes deemed “non-competitive” by the JAC and any decrease in fares on “competitive” routes at least twenty days in advance. We must file notice with the JAC of any increase in fares on “competitive” routes at least ten days in advance.

In addition, the Chilean authorities now





REGULATORY FRAMEWORK

require that we justify any modification that we make to our fares on non-competitive routes. We must also ensure that our average yields on a non-competitive route are not higher than those on competitive routes of similar distance.

| REGISTRATION OF AIRCRAFT

Aircraft registration in Chile is governed by the Chilean Aeronautical Code (“CAC”). In order to register or continue to be registered in Chile, an aircraft must be wholly owned by either:

a natural person who is a Chilean citizen; or
 a legal entity incorporated in and having its domicile and principal place of business in Chile and a majority of the capital stock of which is owned by Chilean nationals, among other requirements established in article 38 of the CAC.

The Aeronautical Code expressly allows the DGAC to permit registration of aircraft belonging to non-Chilean individuals or entities with a permanent place of business in Chile. Aircraft owned by non-Chileans, but operated by Chileans or by an airline which is affiliated with a Chilean aviation entity, may also be registered in Chile. Registration of any aircraft can be cancelled if it is not in compliance with the requirements for registration and, in particular, if:

the ownership requirements are not met; or the aircraft does not comply with any applicable safety requirements specified by the DGAC.

| SAFETY

The DGAC requires that all aircraft operated by Chilean airlines be registered either with the DGAC or with an equivalent supervisory body in a country other than Chile. All aircraft must have a valid certificate of airworthiness issued by either the DGAC or an equivalent non-Chilean supervisory entity. In addition, the DGAC will not issue maintenance permits to a Chilean airline until the DGAC has assessed the airline’s maintenance capabilities.

The DGAC renews maintenance permits annually, and has approved our maintenance operations. Only DGAC-certified maintenance facilities or facilities certified by an equivalent non-Chilean supervisory body in the country where the aircraft is registered may maintain and repair the aircraft operated by Chilean airlines.

Aircraft maintenance personnel at such facilities must also be certified either by the DGAC or an equivalent non-Chilean supervisory body before assuming any aircraft maintenance positions.

| SECURITY

The DGAC establishes and supervises the implementation of security standards and regulations for the Chilean commercial aviation industry.

Such standards and regulations are based on standards developed by international commercial aviation organizations. Each airline and airport in Chile must submit an aviation security handbook to the DGAC describing its security procedures for the day-to-day operations of commercial aviation and procedures for staff security training. LAN has submitted its aviation security handbook to the DGAC. Chilean airlines that operate international routes must also adopt security measures in accordance with the requirements of applicable bilateral international agreements.

| AIRPORT POLICY

The DGAC supervises and manages airports in Chile, including the supervision of take-off and landing charges. The DGAC proposes airport charges, which are approved by the JAC and are the same at all airports.

Since the mid-90s, a number of Chilean airports have been privatized, including the Comodoro Arturo Merino Benítez International Airport in Santiago. At the



REGULATORY FRAMEWORK

privatized airports, the airport administration manages the facilities under the supervision of the DGAC and JAC.

| ENVIRONMENTAL AND NOISE REGULATION

There are no material environmental regulations or controls imposed upon airlines, applicable to aircraft, or that otherwise affect us in Chile, except for environmental laws and regulations of general applicability. There is no noise restriction regulation currently applicable to aircraft in Chile. However, Chilean authorities are planning to pass a noise-related regulation governing aircraft that fly to and within Chile.

The proposed regulation will require all such aircraft to comply with certain noise restrictions, referred to in the market as Stage 3 standards.

LAN's fleet already complies with the proposed restrictions so we do not believe that enactment of the proposed standards would impose a material burden on us.

| ANTITRUST REGULATION

The Chilean antitrust authority, which we refer to as the Antitrust Court (previously the Antitrust Commission), oversees antitrust matters, which are governed by Decree Law No. 211 of 1973, as amended, or the Antitrust Law.

The Antitrust Law prohibits any entity from preventing, restricting or distorting competition in any market or any part of any market. The Antitrust Law also prohibits any business or businesses that have a dominant position in any market or a substantial part of any market from abusing that dominant position.

An aggrieved person may sue for damages arising from a breach of Antitrust Law and/or file a complaint with the Antitrust Court requesting an order to enjoin the violation of the Antitrust Law.

The Antitrust Court has the authority to impose a variety of sanctions for violations of the Antitrust Law, including termination of contracts contrary to the Antitrust Law, dissolution of a company and imposition of fines and daily penalties on businesses. Courts may award damages and other remedies (such as an injunction) in appropriate circumstances. As described above under "—Route Rights— Airfare Pricing Policy," in October 1997, the Antitrust Court approved a specific self-regulatory fare plan for us consistent with the Antitrust Court's directive to maintain a competitive environment within the domestic market.

Since October 1997, LAN Airlines S.A. and LAN Express follow a self-regulatory plan, which was modified and approved by the Tribunal de



la Libre Competencia (the Competition Court) in July 2005, and further in September, 2011.

In February 2010, the Fiscalía Nacional Económica (the National Economic Prosecutor's Office) finalized the investigation initiated in 2007 regarding our compliance with this self-regulatory plan and no further observations were made.

By means of Resolution No. 37/2011, issued on September 21, 2011 (the "Resolution"), the Tribunal de Defensa de la Libre Competencia de Chile ("TDLC") approved the merger between LAN and TAM and imposed 14 mitigation measures on LATAM, which scope and details are set out in said Resolution and which, for convenience only, are briefly described below:

1. To exchange 4 pairs of daily slots at the Guarulhos Airport of São Paulo to be exclusively operated in non-stop flights servicing the SCL – GRU route
2. To extend its frequent flyer program for a term of 5 years in favor of airlines operating (or expressing their intention to operate) the Santiago – São Paulo, Santiago – Río de Janeiro, Santiago – Montevideo, and Santiago – Asunción routes, in the event that the airlines ask for LATAM to extend the referred program in connection with the above-stated routes.

3. To enter into interline agreements covering the Santiago – São Paulo, Santiago – Río de Janeiro and/or Santiago – Asunción routes with interested airlines operating those routes which approach LATAM for that purpose.

4. To observe certain temporary capacity and offer restrictions on the Santiago – São Paulo route.

5. To implement certain amendments to LATAM's Self-Regulatory Fare Plan applicable to its domestic business.

6. To renounce before June 22, 2014, from either of the two global alliances to which LAN and TAM belonged as of the date of the Resolution.

7. To comply with certain restrictions in signing and maintain some code-sharing agreements, without prior consultation with the TDLC, for specific routes with carriers which are members or partners of an alliance other than that to which LATAM belongs.

8. To abide by certain restrictions to participate in future allocations of third, fourth and fifth freedom traffic rights between Santiago and Lima, and to abandon 4 fifth freedom frequencies to Lima.

9. To express to the relevant air transportation authorities its favorable opinion to the unilateral opening of the sky for domestic flights within Chile, operated by airlines based in foreign States, without reciprocity requirements.

10. To commit, to the extent applicable, to promoting the growth and regular operation of the Guarulhos airport in São Paulo and the Arturo Merino Benítez airport in Santiago.

11. To comply with certain directives in granting incentives to travel agencies.

12. To temporarily maintain, except upon the occurrence of a force majeure event: i) at least 12 weekly non-stop round-trip flights directly operated by LATAM and covering the routes between Chile and the U.S.; and ii) at least 7 weekly non-stop round-trip flights directly operated by LATAM and covering the routes between Chile and Europe.

13. To comply with certain restrictions on average revenues from air tickets for passenger transport on the Santiago – São Paulo and Santiago – Río de Janeiro routes; and on published airfares effective as of the date of the Resolution for cargo transport on each of the routes between Chile and Brazil.



REGULATORY FRAMEWORK

14. To hire an independent consultant for a term of 3 years to provide advisory services to the Federal Economic Prosecutor's Office in overseeing LATAM's compliance with the Resolution.

The Brazilian Council for Economic Defense – CADE has approved the LAN/TAM merger by unanimous decision during the hearing session of December 14, 2011, subject to the conditions: (1) the new combined group (LATAM) should leave one of the two global alliances to which it was part (Star Alliance or oneworld); and (2) the new combined group

(LATAM) should offer to swap two pairs of slots in Guarulhos International Airport, to be used by an occasional third party interested in offering direct non-stop flights between São Paulo and Santiago do Chile. These impositions are in line with the mitigation measures adopted by the TDLC, in Chile.

Furthermore, the association was submitted to the antitrust authorities in Germany, Italy and Spain. All these jurisdictions granted unconditional clearances for this transaction. The merger was filed with the Argentinean antitrust authorities, which approval is still pending.



| REGULATORY
| FRAMEWORK


 FINANCIAL
 RESULTS

Latam had an operating result of US\$513,9 million in 2015.

LATAM Airlines Group accounted an operating income of US\$ 513.9 million in 2015, representing a 0.1% increase over 2014. Operating margin reached 5.1%, increasing 1.0% compared to the previous year. The results improvement of LATAM is mainly explained by lower operational costs due to lower fuel prices, and also due to the constant efforts made by the Company with regards to costs control, and also due to the effect of the devaluation of local currencies in the region.

Total revenues in 2015 reached US\$ 10,125.8 million, compared to US\$ 12,471.1 million in 2014. The 18.8% fall is explained by the 19.0% decrease in passengers' revenues and the 22.4% fall in cargo revenues, which was partially compensated by a 2.2% increase in other revenues. The drop in revenues resulted from the complex macroeconomic scenario in South America and the important currencies devaluation in Latin America during the period, especially the 42% depreciation of the Brazilian reais. In 2015, passengers and cargo revenues represented 83.1% and 13.1% of total operational revenues, respectively.

The 19.0% decrease in passengers' revenues in the year reflected the 3.1% increase in offer, which was offset by the 20.5% reduction in consolidated revenues per passenger (RASK), compared to 2014. This fall resulted from the 21.4% decrease in yields and a slight reduction of 0.3% in load factor, reaching 83.0%. The weak economic scenario in South America and the devaluation of local currencies, mainly the Brazilian reais, is still impacting yields performance.

The growth of capacity of 3.1% during 2015 was mainly explained by the 6.4% growth of the international business capacity, whose strategy was focused on the strengthening of LATAM's international hubs and the routes to the Caribbean, which was compensated by the reduction in less demanded such as the operations between Brazil and the United States. Capacity in the Spanish-speaking domestic markets grew 4.8%, and was mainly driven by the Colombian and Peruvian markets. Regarding domestic operations in Brazil, with the ongoing discipline in capacity of domestic flights, the Company reduced the offer for the fourth consecutive year, thus ended up the year with 2.5% lower capacity than 2014, leading the capacity reductions in the country.

Cargo revenues decreased 22.4% during 2015, resulting from the 12.0% drop in cargo traffic, and the 11.8% fall in yields. During the year, the cargo services demand was still weak, especially in the local market and also in the international market of Brazil, as a result of the slowdown of economic activity in the country, which directly impacted imports. Likewise, the oversupply of the airline industry resulted from the increasing competition of regional and international airlines in South America. The latter, together with the substantial drop in fuel prices, largely explains the drop in yields of cargo business.

In 2015 operational costs reached US\$ 9,611.9 million, 19.6% decrease from 2014, prompting a 20.1% reduction of the cost per ASK equivalent (including net financial costs). Cost reduction



FINANCIAL
RESULTS

is mainly explained by the 47,1% drop in fuel prices, and also an outcome of the cost reduction program prompted by the Company, in addition to the positive effect of the currency devaluation over costs denominated in local currencies.

Fuel expenditure decreased 36.4% reaching US\$2,651.1 million, compared to US\$4,167.0 million in 2014. This drop is explained by the fall of fuel prices, as well as the 1.2% decrease in fuel consumption per ASK-equivalent, as a result of the fuel efficiency programs and also due to an increasingly efficient fleet.

Additionally, the Company recognized in 2015 a hedging loss of US\$239.4 million compared to the hedging loss of US\$108.7 million in 2014. With regards to exchange rate hedging, the Company reported a gain of US\$19.2 million on currency hedging in 2015 compared to a gain of US\$3.8 million in 2014.

Wages and benefits decreased 11.8% in 2015, mainly due to the impact of local currency depreciation over wages, especially the 41.7% depreciation of the Brazilian reais, and 14.7% depreciation of the Chilean peso compared to 2014. Additionally, during the fourth quarter of the year, LATAM reported a US\$37 million reversal of performance bonuses for the year. With regards to the non-operating income, the Company accounted a non-cash exchange rate difference of US\$467.9 million, mainly explained by the devaluation of the Brazilian reais during the year.

At the end of the year, LATAM reported a net loss of US\$ 219.3 million, compared to a net loss of US\$ 109.8 million in 2014. This result implied a negative net margin of 2.2%, thus representing a 1.3% fall over 2014.

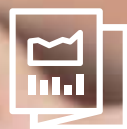
| 2015 RESULTS · FINANCIAL RESULTS

For the 12 months period ended December 31	2015	2014	% Change
REVENUE			
Passenger	8.410.614	10.380.122	-19,0%
Cargo	1.329.431	1.713.379	-22,4%
Other	385.781	377.645	2,2%
TOTAL OPERATING REVENUE	10.125.826	12.471.146	-18,8%
EXPENSES			
Wages and Benefits	-2.072.805	-2.350.102	-11,8%
Aircraft Fuel	-2.651.067	-4.167.030	-36,4%
Comissions to Agents	-302.774	-365.508	-17,2%
Depreciation and Amortization	-934.406	-991.264	-5,7%
Other Rental and Landing Fees	-1.109.826	-1.327.238	-16,4%
Passenger Services	-295.439	-300.325	-1,6%
Aircraft Rentals	-525.134	-521.384	0,7%
Aircraft Maintenance	-437.235	-452.731	-3,4%
Other Operating Expenses	-1.283.221	-1.482.198	-13,4%
TOTAL OPERATING EXPENSES	-9.611.907	-11.957.780	-19,6%
OPERATING INCOME	513.919	513.366	0,1%
Operating Margin	5,1%	4,1%	1,0 pp
Interest Income	75.080	90.500	-17,0%
Interest Expense	-413.357	-430.034	-3,9%
Other Income (Expense)	-532.757	-108.599	390,6%

For the 12 months period ended December 31	2015	2014	% Change
INCOME BEFORE TAXES AND MINORITY INTEREST	-357.115	65.233	-647,4%
Income Taxes	178.383	-142.194	-225,5%
INCOME BEFORE MINORITY INTEREST	-178.732	-76.961	132,2%
Attributable to:			
Shareholders	-219.274	-109.790	99,7%
Minority Interest	40.452	32.829	23,2%
NET INCOME	-219.274	-109.790	99,7%
Net Margin	-2,2%	-0,9%	-1,3 pp
Effective Tax Rate	44,9%	438,8%	-394,0 pp
EBITDA	1.448.325	1.504.630	-3,7%
EBITDA Margin	14,3%	12,1%	2,2 pp.
EBITDAR	1.973.459	2.026.014	-2,6%
EBITDAR Margin	19,5%	16,2%	3,2 pp.


 FINANCIAL
RESULTS

FOR THE YEAR ENDED DECEMBER	2015	2014	% Change
SYSTEM			
ASKs-equivalent (millions)	208,857	206,198	1.3%
RPKs-equivalent (millions)	151,478	153,978	-1.6%
Overall Load Factor (based on ASK-equivalent)%	72.5%	74.7%	-2.1 pp
Break-Even Load Factor (based on ASK-equivalent)%	73.9%	70.6%	3.3 pp
Yield based on RPK-equiv (US Cent)	6.4	7.9	-18.1%
Operating Revenues per ASK-equiv (US Cent)	4.7	5.9	-20.5%
Costs per ASK-equivalent (US Cent)	4.8	6.1	-20.1%
Costs per ASK-equivalent ex fuel (US Cents)	3.6	4.0	-11.5%
Fuel Gallons Consumed (millions)	1,221	1,220	0.1%
Fuel Gallons Consumed per 1,000 ASKs-equivalent	6	6	-1.2%
Average Trip Length (thousands km)	1.6	1.6	2.7%
Total Number of Employees (average)	52,697	53,300	-1.1%
Total Number of Employees (end of the period)			
PASSENGER			
ASKs (millions)	134,302	130,201	3.1%
RPKs (millions)	111,510	108,534	2.7%
Passengers Transported (thousands)	67,835	67,833	0.0%
Load Factor (based on ASKs) %	83.0%	83.4%	-0.3 pp
Yield based on RPKs (US Cents)	7.5	9.6	-21.1%
Revenues per ASK (US cents)	6.3	8.0	-21.4%


 FINANCIAL
RESULTS

FOR THE YEAR ENDED DECEMBER	2015	2014	% Change
CARGO			
ATKs (millions)	7,083	7,220	-1.9%
RTKs (millions)	3,797	4,317	-12.0%
Tons Transported (thousands)	1,009	1,102	-8.5%
Load Factor (based on ATKs) %	53.6%	59.8%	-6.2 pp
Yield based on RTKs (US Cents)	35.0	39.7	-11.8%
Revenues per ATK (US Cents)	18.8	23.7	-20.9%

*Fuel Gallons Consumed per 1,000 ASKs-equivalent

Note: ASK-equivalent is the sum of passenger ASKs and the quotient of cargo ATK and 0.095 (including LAN and TAM cargo operations)

INGRESOS DE PASAJEROS Y CARGA POR ÁREA GEOGRÁFICA	2015	2014	% Change
Perú	681,340	660,057	3.2%
Argentina	979,324	813,472	20.4%
EEUU	1,025,475	1,224,264	-16.2%
Europa	723,062	935,893	-22.7%
Colombia	353,007	391,678	-9.9%
Brasil	3,464,297	5,361,594	-35.4%
Ecuador	238,500	248,585	-4.1%
Chile	1,575,519	1,589,202	-0.9%
Pacif Asia and rest of Latin America	699,521	868,756	-19.5%
Operating revenues	9,740,045	12,093,501	-19.5%
Other operating revenues	385,781	377,645	

Our most prominent acknowledgements



AWARDS AND RECOGNITIONS

The companies that belong to the LATAM Airlines Group received nearly 25 recognitions in different areas: Services, Sustainability and Onboard Entertainment, among others. Below we highlight the most important recognitions that LATAM Airlines Group received during 2015:

| SERVICES AWARDS

World Line Airline Awards- Skytrax 2015:
the most prestigious award of the industry.

- LAN: First place in the “Best Airline in South America” category.
- TAM: Third place in the “Best Airline in South America” category.
- LAN: First place in the “Best Service in South America” category.
- TAM: Third place in the “Best Service in South America” category.

Airline of the Year Awards 2015:

Acknowledgement granted by AirlineRatings to the best airlines whose purpose is to help passengers to choose with whom to travel.

- LAN: Winner of the Long Haul Americas category.

| SUSTAINABILITY AWARDS

Dow Jones Sustainability Index 2014:

- Fourth year in the “DJSI Emerging Markets” category.
- Second year in the “DJSI World” category.

CDP (Carbon Disclosure Programme):

- “Best Company in Latin America” Award.

IEnvA Registered Airline (IATA):

- Stage 2 IEnvA Certification.

Award Empresa Alas20 (sustainable leaders):

- Award “Best of the Best”.
- Second place in the “Company Leader in Corporate Governance” category.
- First place in the “Company Leader in Investor Relations” category.
- General Manager Leader in Sustainability: Enrique Cueto.

Aviation Climate Solutions:

- Recognition “Efficiency in the air: RNP”.
- Recognition “Efficiency in the air: Ultra-Light Containers”.
- Recognition “Carbon Management: Smart Fuel Program”.

Bureau Veritas Certification:

- Certification ISO 14.001 in MIA.

AENOR Environment:

- Measurement and external verification of carbon footprint.

Revista CAPITAL and The Note:

- Company Leader in Climate Change.

| ONBOARD ENTERTAINMENT AWARDS

Folio: Eddie & Ozzie Awards 2015:

One of the main awards of the print and digital magazines industry globally.

- IN Magazine: Golden Award for “Best Use of Illustration” for the report “Kings of Speed”, June 2015.
- IN Magazine: Golden Award for “Best General Design” for the report “Gastronomy Special”, November 2014.
- Local newspaper in Peru: Golden Award for “Best New Publication of the Year”.

| OTHER AWARDS

Structured Financing of the Year –Latin Finance Magazine

· Award for the EETC financial transaction, in recognition of size, legal complexity and for being pioneers in this type of transaction and innovative in the market.

Corporate Transparency Report 2015 – UDD, KPMG Y Chile Transparente

· LATAM: Second Place in the “Best Practices 2015” Category for public traded companies.

Award for the most admired companies in Brazil – Revista Carta Capital (BR):

· TAM: Winner in the “Airline Companies” Category (for the seventh consecutive year).

Ethical Boardroom Corporate Governance Awards 2015:

LAN: Winner in the “Best Corporate Governance – Airlines – South America - 2015” category.

E Commerce Awards 2015:

The most important award of the electronic commerce sector. LAN CL: Lan.com “Leader in eCommerce in the Tourist Industry”.

- LAN PE: Lan.com “Leader in eCommerce in the Tourist Industry”.
- LAN EC: Lan.com recognized for its contribution to the digital economy in the country.

Cellars in the Sky Award – Business Traveller:

- LAN and TAM: Silver Medal in the “Best Fortified After Dinner Wine in First Class” category (for the wine Croft Port LVB safra 2007).
- TAM: Bronze Medal for the white wine Dr Bürkin-Wolf Gasbohl 2009, Pfalz.

Fohla Top of Mind 2015 Award (BR):

· TAM: The most remembered brand in the “Airline Company” category.



AWARDS AND
RECOGNITIONS

LATAM: Our new brand

AUGUST 6 / OTTHER

As provided in Sections 9 and 10 of the Securities Markets Act and in General Rule #30, under due authorization, I hereby inform as MATERIAL DISCLOSURE of LATAM Airlines Group S.A., Securities Registration #306 ("LATAM"), the following:

After an extensive integration process following the association of LAN and TAM—during which the Group made great advances in achieving synergies for internal processes, network optimization, and fleet restructuring and modernization, the Board of Directors of LATAM Airlines Group has decided to adopt a single name and identity and announces that the new brand for the largest airline group in Latin America and its affiliates will be LATAM.

The brand LATAM, which is the result of the consolidation of LAN and TAM, will unite all the passenger and cargo airlines for LATAM Airlines Group: LAN Airlines and its affiliates in Peru, Argentina, Colombia and Ecuador; in addition to TAM Linhas Aéreas S.A., and its subsidiary TAM Air Transport Mercosur S.A. (TAM Airlines (Paraguay), and the cargo carriers comprised of LAN CARGO, LAN CARGO Colombia, ABSA (TAM Cargo) and Mas Air.

LATAM Airlines Group is currently working on the new corporate brand, a process that will take approximately three years to complete and will begin to be visible in the first half

of 2016 with a gradual roll-out for airports, aircraft, commercial offices, web pages, and uniforms.

JUNE 9 / ISSUANCE

As provided in Articles 9 and 10 of the Securities Market Law and in General Rule #30, under due authorization, please be advised as MATERIAL DISCLOSURE that on this date LATAM Airlines Group S.A., Securities Registration #306 ("LATAM"), has issued and placed in international markets, pursuant to the Rule 144-A and Regulation S of the securities regulations of the United States of America, senior unsecured notes in the principle amount of US\$500,000,000, due in 2020, at an annual initial interest rate of 7,25% (the "144-A Bond" or the "Issuance"); and

As informed under Material Disclosure of May 20, 2015 and June 5, 2015, the Issuance and placement of the 144-A Bond will have the purpose of (i) financing the repurchase of the senior guaranteed bonds due in 2020, issued by TAM Capital 2 Inc., pursuant to Rule 144-A and Regulation S of the securities regulations of the United States of America ("TAM 2020 Bond"); and (ii) with any remaining funds, to finance other corporate general matters.

Finally, please find enclosed the form regarding Regulation 1.072 of the Chilean Securities and Insurance Commission.



MATERIAL
FACTS


 MATERIAL
 FACTS

JUNE 5 / ISSUANCE

As provided in Articles 9 and 10 of the Securities Market Law and in General Rule #30, under due authorization, please be advised of the following MATERIAL DISCLOSURE:

As informed under Material Disclosure of May 20, 2015, LATAM Airlines Group S.A. ("LATAM") on June 4th, 2015, has agreed to issue and place in the international markets, pursuant to the Rule 144-A and Regulation S of the securities regulations of the United States of America, senior unsecured notes in the principle amount of US\$500.000.000, due in 2020, at an annual initial interest rate of 7,25% (the "144-A Bond" or the "Issuance"); and

As also informed under Material Disclosure of May 20, 2015, the Issuance and placement of the 144-A Bond will have the purpose of (i) financing the repurchase of the senior guaranteed bonds due in 2020, issued by TAM Capital 2 Inc., pursuant to Rule 144-A and Regulation S of the securities regulations of the United States of America ("TAM 2020 Bond"); and (ii) with any remaining funds, to finance other corporate general matters. In accordance with Circular No. 988 of the Chilean Securities and Insurance Commission, LATAM informs that in this stage it is not possible to quantify the effects of this transaction in LATAM's results, in case it is materialized.

Finally, it is stated that LATAM will release as

information of interest for the markets, the communications attached to this Material Disclosure, in order to provide further information in connection with the operations related to the Issuance of the 144-A Bonds, and regarding the repurchase of the TAM 2020 Bonds, and which will be distributed in the relevant markets in which those operations will take place.

MAY 29 / ISSUANCE

As provided in Articles 9 and 10 of the Securities Market Law and in General Rule #30, under due authorization by LATAM Airlines Group S.A., Securities Registration #306 ("LATAM Airlines Group"), please be advised as MATERIAL DISCLOSURE, that on this date the issuance and private offering of two tranches of enhanced equipment trust certificates ("EETC") has taken place, which has been upsized to an aggregate face amount of U.S. \$1,020,823,000 (the "Certificates"), in accordance with the following:

The Certificates were issued and privately offered, by trusts or pass-through trusts ("Trusts").

The private offering is comprised of Class A Certificates which will have an interest rate of 4.200% per annum with a final expected distribution date of November 15, 2027 and the Class B Certificates which will have an interest rate of 4.500% per annum with a final expected distribution date of November 15, 2023.

The Trusts will use proceeds from the offering, which will be held in custody ("escrow") with a first class bank, to acquire "Equipment Notes" issued by four separate special purpose vehicles, fully owned by LATAM (each one, an "Issuer").

Each Issuer will use the proceeds from the sale of the Equipment Notes and the initial rent under each Lease (as defined below) to finance the acquisition of eleven Airbus A321-200 aircraft, two Airbus A350-900 aircraft and four Boeing 787-9 aircraft, which are currently scheduled for delivery between July 2015 and March 2016 (the "Aircraft").

Each Issuer will lease the aircraft they own to the Company under a separate finance lease (the "Lease"), being able at the same time to also sublease the aircraft under operational leases.

MAY 21 / ISSUANCE

As provided in Articles 9 and 10 of the Securities Market Law and in General Rule #30, under due authorization, please be advised of the following MATERIAL DISCLOSURE by LATAM Airlines Group S.A. ("LATAM Airlines Group"), Securities Registration #306:

LATAM Airlines Group S.A. ("LATAM") has announced its intention to issue and place in the international markets, senior unsecured notes pursuant to the Rule 144-A and Regulation S of the securities regulations of the United States


 MATERIAL
 FACTS

of America (the “144-A Bond” or the “Issuance”); and

Citigroup Global Markets Inc. (the “Offeror”), in accordance with the offer to purchase and consent solicitation statement (the “Offer”) and, acting on behalf of LATAM and TAM Capital 2 Inc. – the latter a subsidiary of TAM S.A., duly organized under the laws of the Cayman Islands – has announced the offer to repurchase the senior guaranteed bonds due in 2020 issued by TAM Capital 2 Inc. in the principal amount of US\$300,000,000, pursuant to the Rule 144-A and Regulation S of the securities regulations of the United States of America (the “TAM 2020 Bonds”).

APRIL 28 / CHANGES IN THE ADMINISTRATION

As provided in Articles 9 and 10 of Securities Market Law 18045 and in General Rule #30 of the Commission of 1989, please be advised that at an Ordinary Shareholders Meeting (Meeting) of LATAM Airlines Group S.A. (LATAM) held on April 28, 2015, LATAM’s shareholders elected the members of LATAM’s Board of Directors, who will hold office for two years.

The following individuals were elected Directors at the Meeting:

- Mauricio Rolim Amaro.
- Juan José Cueto Plaza.
- Henri Philippe Reichstul.
- Ramón Eblen Kadis.
- Carlos Heller Solari.

- Francisco Luzón López.
- Ricardo J. Caballero.
- Juan Gerardo Jofré Miranda.
- Georges de Bourguignon Arndt.

The Directors named in numbers 7, 8 and 9 above were elected as independent directors, according to article 50-bis of Companies Law No. 18.046 of the Republic of Chile.

MARCH 17 / EXTRAORDINARY SHAREHOLDERS MEETING, CITATIONS, AGREEMENTS AND PROPOSITIONS

As provided in Articles 9 and 10 of the Securities Market Law and in General Rule #30, under due authorization, please be advised that at an Extraordinary Meeting held March 17th, 2015, the Board of Directors of LATAM Airlines Group S.A. (hereinafter the “Company”) resolved to convene a Regular Shareholders Meeting at 10:00 a.m. on April 28, 2015 at Marina de las Condes, Best Western Premier Hotel, located at 5727 Alonso de Córdova Avenue, Las Condes, Santiago, Chile, to discuss the following matters:

- a) approval of the annual report, balance sheet and financial statements of the Company for the fiscal year ending December 31, 2014;
- b) election of the members of the Company’s Board of Directors;

c) the compensation to be paid to the Company’s Board of Directors;

d) the compensation to be paid to the Company’s Audit Committee;

e) the appointment of the external auditing firm and risk rating agencies for the Company; and the reports on the matters indicated in Section XVI of Companies Law 18,046;

f) information on the cost of processing, printing and sending the information indicated in Circular 1816 of the Securities and Insurance Commission;

g) designation of the newspaper in which the Company will make publications; and

h) other matters of corporate interest within the purview of a Regular Shareholders Meeting of the Company.

During 2015, LATAM Airlines Group's share price showed a loss of 47.3% while LAN's ADR and BDR showed losses of 55.0% and 25.2%, respectively. As of 31 December 2015, LATAM had a market capitalization of US\$ 2,897 million. In 2015, LATAM Airlines Group's shares performed below Chile's IPSA share price index, which showed an annual loss of 4.4%. Regarding the movements of the stock, this year LATAM Airlines Group stock had a 100% of market presence in the Santiago Stock Exchange.

QUARTERLY VOLUME OF SHARE TRADING (SANTIAGO STOCK EXCHANGE)

2013	Nº of shares traded	Average price (CLP)	Total value (CLP)
First Quarter	45.824.242	11.187	512.631.523.416
Second Quarter	66.209.581	9.205	609.426.139.245
Third Quarter	94.212.031	7.054	664.535.231.195
Fourth Quarter	97.328.542	8.178	795.928.230.440
2014			
First Quarter	105.975.361	8.216	870.703.928.011
Second Quarter	49.562.708	8.142	403.544.960.523
Third Quarter	48.588.109	7.185	349.114.118.897
Fourth Quarter	58.938.484	6.944	409.287.411.331
2015			
First Quarter	47.381.218	6.427	304.500.240.890
Second Quarter	70.656.700	5.317	375.650.771.299
Third Quarter	55.159.498	3.956	218.193.406.987
Fourth Quarter	41.229.003	3.787	156.150.008.936



STOCK MARKET
INFORMATION

| QUARTERLY VOLUME OF ADR TRADING (NYSE)

2013	N° of shares traded	Average price (CLP)	Total value (CLP)
First Quarter	36.049.549	23,6	850.767.594
Second Quarter	48.815.517	19,0	927.668.038
Third Quarter	58.233.292	13,9	809.046.393
Fourth Quarter	73.916.615	15,9	1.178.817.436
2014			
First Quarter	57.623.444	14,9	861.131.150
Second Quarter	48.612.920	14,7	713.771.218
Third Quarter	53.971.810	12,4	669.402.973
Fourth Quarter	51.527.871	11,6	597.454.463
2015			
First Quarter	71.826.622	10,2	735.991.434
Second Quarter	84.752.685	8,6	725.268.774
Third Quarter	56.545.265	5,8	329.437.631
Fourth Quarter	40.270.138	5	221.441.987



STOCK MARKET
INFORMATION

| QUARTERLY VOLUME OF BDR TRADING (BOVESPA)

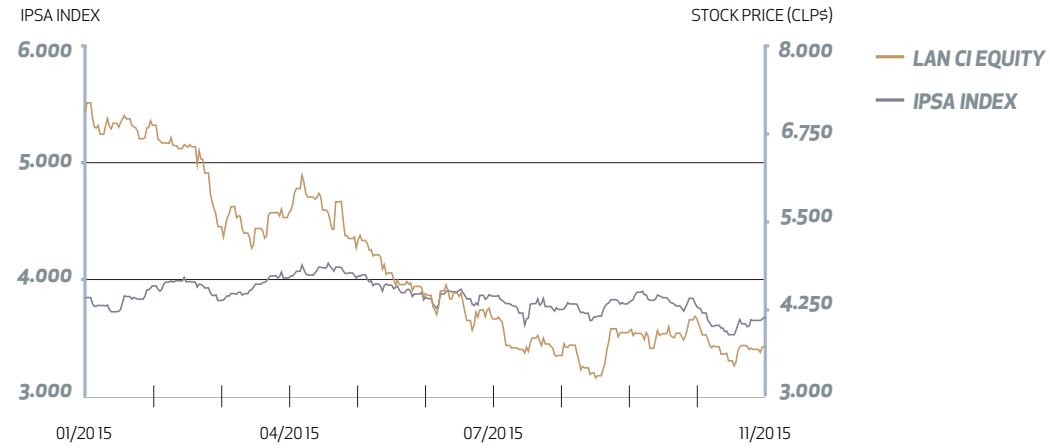
2013	Nº of shares traded	Average price (CLP)	Total value (CLP)
First Quarter	4.405.443	45,8	201.746.038
Second Quarter	1.750.147	37,5	65.595.608
Third Quarter	1.588.164	30,6	48.624.696
Fourth Quarter	457.913	15,9	7.302.767
2014			
First Quarter	1.685.200	34,7	58.492.169
Second Quarter	681.600	33,2	22.598.036
Third Quarter	973.200	28,2	27.405.206
Fourth Quarter	444.700	29,0	12.889.775
2015			
First Quarter	953.800	28,4	27.109.116
Second Quarter	1.204.000	25,9	31.142.320
Third Quarter	1.000.500	20,3	20.261.756
Fourth Quarter	322.000	22,4	7.218.470



STOCK MARKET
INFORMATION



| LAN IPSA

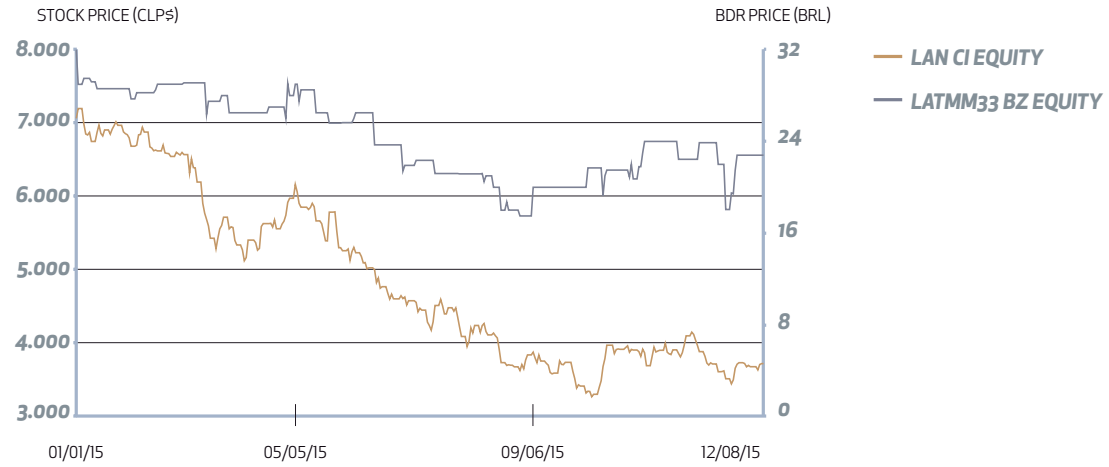


| LAN LFL





| LAN IPSA



LATAM does not control the voting shares or board of directors of TAM



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| RISK FACTORS RELATING TO OUR COMPANY

LATAM does not control the voting shares or board of directors of TAM

Following the combination of LAN and TAM:

- Holdco I owns 100% of the TAM common shares previously outstanding;
 - the TAM Controlling Shareholders own approximately 80.58% of the outstanding Holdco I voting shares through TEP Chile (a wholly owned Chilean entity) and LAN owns the remainder of the voting shares;
 - LATAM owns 100% of the outstanding Holdco I non-voting shares, entitling it to substantially all of the economic rights in respect of the TAM common shares held by Holdco I; and
 - LATAM owns 100% of the TAM preferred shares previously outstanding.
- As a result of this ownership structure:
- The TAM Controlling Shareholders retain voting and board control of TAM and each airline subsidiary of TAM; and
 - LATAM is entitled to all of the economic rights in TAM.

LATAM and TEP Chile and other parties have entered into shareholders' agreements that establish agreements and restrictions relating to corporate governance. Certain specified

actions require supermajority approval, which in turn means they require the prior approval of both LATAM and TEP Chile. Examples of actions requiring supermajority approval by the board of directors of Holdco I or TAM include, among others, entering into acquisitions or business collaborations, amending or approving budgets, business plans, financial statements and accounting policies, incurring indebtedness, encumbering assets, entering into certain agreements, making certain investments, modifying rights or claims, entering into settlements, appointing executives, creating security interests, issuing, redeeming or repurchasing securities and voting on matters as a shareholder of subsidiaries of TAM. Actions requiring supermajority shareholder approval of Holdco I or TAM include, among others, certain changes to the by-laws of Holdco I, TAM or TAM's subsidiaries or any dissolution/liquidation, corporate reorganization, payment of dividends, issuance of securities, disposal or encumbrance of certain assets, creation of security interests or entering into guarantees and agreements with related parties. For more information on the shareholders' agreements, see "Item 7. Controlling Shareholders and Related Party Transactions—Shareholders' Agreements."

Our assets include a significant amount of goodwill.

Our assets included US\$2,281 million of goodwill as of December 31, 2015, US\$2,155 million of which results from the merger between LAN and TAM. Under IFRS, goodwill


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is subject to an annual impairment test and may be required to be tested more frequently if events or circumstances indicate a potential impairment. Any impairment could result in the recognition of a significant charge to earnings in our statement of income, which could materially and adversely impact our consolidated results for the period in which the impairment occurs.

A failure to successfully implement our strategy or a failure adjusting the strategy to the current economic situation would harm our business and the market value of our ADSs and common shares.

We have developed a new strategic plan with the goal of becoming one of the best airlines in the world and renewing our commitment to sustained profitability and superior returns to shareholders. Our new strategy requires us to identify value propositions that are attractive to our clients, to find efficiencies in our daily operations, and to transform ourselves into a stronger and more risk resilient company. Our strategic plan also anticipates strengthening our network and expanding operations in the Brazilian regional market. Our strategy requires us to identify cities with adequate infrastructure and sufficient demand. There can be no assurances, however, that we will be able to correctly identify cities and regions in which to expand our operations, or that we will be able to attract sufficient passengers and cargo traffic to make our operations profitable. Difficulties in implementing our strategy and expanding our operations may adversely affect

our business, results of operation and the market value of our ADSs and common shares.

A failure to successfully transfer the value proposition of the LAN and TAM brands to a new single brand, may adversely affect our business and the market value of our ADSs and common shares.

Following the merger in 2012, LAN and TAM have continued to operate with their original brands. In 2016, we will begin the transition of LAN and TAM into a single brand. LAN and TAM currently have different value propositions, and there can be no assurances that we will be able to fully transfer the value of the original LAN and TAM brands to the new single brand. Difficulties in implementing our single brand may prevent us from consolidating as a customer preferred carrier and may adversely affect our business and results of operations and the market value of our ADSs and common shares.

It may take time to combine the frequent flyer programs of LAN and TAM.

We have integrated the separate frequent flyer programs of LAN and TAM so that passengers can use frequent flyer miles earned with either LAN or TAM interchangeably. However, there is no guarantee that full integration of the two plans will be completed in the near term or at all. Even if the integration occurs, the successful integration of these programs will involve some time and expense. Until we effectively combine these programs, passengers may

prefer frequent flyer programs offered by other airlines, which may adversely affect our business.

Our financial results are exposed to foreign currency fluctuations.

We prepare and present our consolidated financial statements in U.S. dollars. Because of our presence in several Latin American markets, a portion of our consolidated net assets, revenues and income is denominated in non-U.S. dollar currencies, primarily Chilean pesos and Brazilian reais. In particular, the majority of TAM's revenues are denominated in Brazilian reais, while a significant portion of its operating expenses are denominated in, or linked to, the U.S. dollar or other foreign currencies. Our consolidated financial condition and results of operations are therefore sensitive to movements in exchange rates between the U.S. dollar and other currencies. Other factors being neutral, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on our financial condition, results of operations and prospects.

We operate in numerous countries and face the risk of variation in foreign currency exchange rates against the U.S. dollar or between the currencies of these various countries. Changes in the exchange rate between the U.S. dollar and the currencies in the countries in which we operate could adversely affect our business, financial condition and results of operations. Approximately 100% of our indebtedness at December 31, 2015 was denominated in


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U.S. dollars, and approximately 43% of our revenues and 39% of our operating expenses in 2015 were denominated in currencies other than the U.S. dollar, mainly the Brazilian real and the Chilean peso. If the value of the Brazilian real, Chilean peso or other currencies in which revenues are denominated declines against the U.S. dollar, our results of operations and financial condition will be adversely affected. The Brazilian real and the Chilean peso, respectively, experienced average nominal depreciations against the U.S. dollar of 10.5% and 1.8% in 2013, 9.1% and 15.2% in 2014, and 41.7% and 14.7% in 2015. The exchange rate of the Chilean peso, Brazilian real and other currencies against the U.S. dollar may fluctuate significantly in the future.

Changes in Chilean, Brazilian and other governmental economic policies affecting foreign exchange rates could also adversely affect our business, financial condition, results of operations and the return to our shareholders on their common shares or ADSs. Exchange controls in Venezuela delay our ability to repatriate cash generated from operations in Venezuela. They also increase our exposure to exchange rate losses due to potential devaluations of the Venezuelan bolivar vis à vis the U.S. dollar between the time we are paid in Venezuelan bolivares and the time we are able to repatriate such revenues in U.S. dollars. As of December 31, 2015, the devaluation of the Venezuelan bolivar had a cash impact of US\$41 million on our results.

We depend on strategic alliances or commercial relationships in many of the

countries in which we operate, and our business may suffer if any of our strategic alliances or commercial relationships terminates.

In many of the jurisdictions in which we operate, we have found it in our interest to maintain a number of alliances and other commercial relationships. These alliances or commercial relationships allow us to enhance our network and, in some cases, to offer our customers services that we could not otherwise offer. If any of our strategic alliances or commercial relationships, in particular those with American Airlines, Iberia, Qantas, British Airways, Interjet, Japan Airlines, Korean Airlines, Cathay Pacific, Jetstar Airways or Alaska Airlines, deteriorates, or any of these agreements are terminated, our business, financial condition and results of operations could be negatively affected.

Our business and results of operation may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits.

Our business depends upon our access to key routes and airports. Bilateral aviation agreements as well as local aviation approvals frequently involve political and other considerations outside of our control. Our operations could be constrained by any delay or inability to gain access to key routes or airports, including:

- limitations on our ability to process more passengers;

- the imposition of flight capacity restrictions;
 - the inability to secure or maintain route rights in local markets or under bilateral agreements;
- or
- the inability to maintain our existing slots and obtain additional slots.

We operate numerous international routes, subject to bilateral agreements, and also internal flights within Chile, Peru, Brazil, Argentina, Ecuador, Colombia and other countries, subject to local route and airport access approvals. See “Item 4. Information on the Company—Business Overview—Regulation.”

There can be no assurance that existing bilateral agreements with the countries in which our companies are based and permits from foreign governments will continue. A modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permission to operate in certain airports, destinations or slots or the imposition of other sanctions could also have a material adverse effect. A change in the administration of current laws and regulations or the adoption of new laws and regulations in any of the countries in which we operate that restricts our route, airport or other access may have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our cargo revenues come from relatively few product types


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and may be impacted by events affecting their production, trade or demand.

Our cargo demand, especially from Latin American exporters, is concentrated in a small number of product categories, such as exports of fish, sea products and fruits from Chile and asparagus from Peru, and exports of fresh flowers from Ecuador and Colombia. Events that negatively affect the production, trade or demand for these goods may adversely affect the volume of goods that we transport and may have a significant impact on our results of operations. Some of our cargo products are sensitive to foreign exchange rates and, therefore, traffic volumes could be impacted by the appreciation or depreciation of local currencies.

Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively impact our business.

Higher jet fuel prices could have a materially negative effect on our business, financial condition and results of operations. Jet fuel costs have historically accounted for a significant amount of our operating expenses, and accounted for approximately 28% of our operating expenses in 2015. Both the cost and availability of fuel are subject to many economic and political factors and events that we can neither control nor predict. We have entered into fuel hedging arrangements, but there can be no assurance that such arrangements will be adequate to protect us from a significant increase in fuel prices in

the near future or in the long term. Also, while these hedging arrangements are designed to limit the effect of an increase in fuel prices, our hedging activities methods may also limit our ability to take advantage of any decrease in fuel prices, as was the case in 2015. Although we have implemented measures to pass a portion of incremental fuel costs to our customers, our ability to lessen the impact of any increase using these types of mechanisms may be limited.

We rely on maintaining a high daily aircraft utilization rate to increase our revenues, which makes us especially vulnerable to delays.

One of the key elements of our business strategy is to maintain a high daily aircraft utilization rate, which measures the number of flight hours we use our aircraft per day. High daily aircraft utilization allows us to maximize the amount of revenue we generate from our aircraft and is achieved, in part, by reducing turnaround times at airports and developing schedules that enable us to increase the average hours flown per day. Our rate of aircraft utilization could be adversely affected by a number of different factors that are beyond our control, including air traffic and airport congestion, adverse weather conditions and delays by third-party service providers relating to matters such as fueling and ground handling. If an aircraft falls behind schedule, the resulting delays could cause a disruption in our operating performance.

We fly and depend upon Airbus and Boeing aircraft, and our business could suffer if we do not receive timely deliveries of aircraft, if aircraft from these companies becomes unavailable or if the public negatively perceives our aircraft.

As our fleet has grown, our reliance on Airbus and Boeing has also grown. As of December 31, 2015, we operated a fleet of 249 Airbus and 77 Boeing. Risks relating to Airbus and Boeing include:

- our failure or inability to obtain Airbus or Boeing aircraft, parts or related support services on a timely basis because of high demand or other factors;
- the interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for these aircraft;
- the issuance by Chilean or other aviation authorities of other directives restricting or prohibiting the use of Airbus or Boeing aircraft, or requiring time-consuming inspections and maintenance;
- the adverse public perception of a manufacturer as a result of an accident or other negative publicity; or
- delays between the time we realize the need for new aircraft and the time it takes us to arrange for Airbus and Boeing or from a third-party provider to deliver this aircraft.


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The occurrence of any one or more of these factors could restrict our ability to use aircraft to generate profits, respond to increased demands, or could otherwise limit our operations and adversely affect our business.

Any delays in future deliveries of Airbus A350 aircraft could disrupt our fleet plan.

During 2015 we received our first Airbus A350 aircraft out of an order of 27 aircraft of this model, and became the first airline in Latin America to operate this modern new technology aircraft. However, there can be no assurance that the remaining aircraft will be delivered and received on schedule or at all. Any delays in the reception of the Airbus A350 aircraft or unanticipated operational issues on the remaining order could adversely affect our fleet plan.

If we are unable to incorporate leased aircraft into our fleet at acceptable rates and terms in the future, our business could be adversely affected.

A large portion of our aircraft is subject to long-term operating leases. Our operating leases typically run from three to 12 years from the date of delivery. We may face more competition for, or a limited supply of, leased aircraft, making it difficult for us to negotiate on competitive terms upon expiration of our current operating leases or to lease additional capacity required for our targeted level of operations. If we are forced to pay higher lease rates in the future to maintain our capacity

and the number of aircraft in our fleet, our profitability could be adversely affected.

Our business may be adversely affected if we are unable to meet our significant future financing requirements.

We require significant amounts of financing to meet our aircraft capital requirements and may require additional financing to fund our other business needs. We cannot guarantee that we will have access to or be able to arrange for financing in the future on favorable terms. Following the combination of LAN and TAM, Fitch Ratings Inc. and Standard and Poor's downgraded LATAM Airline Group S.A.'s credit rating to levels that are below investment grade. These downgrades and any further securities rating agencies downgrades could increase our financing costs. If we are unable to obtain financing for a significant portion of our capital requirements, our ability to acquire new aircraft or to expand operations could be impaired and our business negatively affected.

Our business may be adversely affected by our high degree of debt and aircraft lease obligations compared to our equity capital.

We have a high degree of debt and payment obligations under our aircraft operating leases compared to equity capital. In order to finance our debt, we depend in part on our cash flow from operations. We cannot assure you that in the future we will be able to meet our payment obligations. In addition, the majority of our property and equipment is subject to

liens securing our indebtedness. In the event that we fail to make payments on the secured indebtedness, creditors' enforcement of liens could limit or end our ability to use the affected property and equipment to fulfill our operational needs and thus generate revenue.

We have significant exposure to LIBOR and other floating interest rates; increases in interest rates will increase our financing costs and may have adverse effects on our financial condition and results of operations.

We are exposed to the risk of interest rate variations, principally in relation to the U.S. dollar London Interbank Offer Rate ("LIBOR"). Many of our operating and financial leases are denominated in U.S. dollars and bear interest at a floating rate. Approximately 29% of our outstanding consolidated debt as of December 31, 2015 bears interest at a floating rate after giving effect to interest rate hedging agreements. Volatility in LIBOR or the TJLP could increase our periodic interest and lease payments and have an adverse effect on our total financing costs. We may be unable to adequately adjust our prices to offset any increased financing costs, which would have an adverse effect on our revenues and our results of operations.

Increases in insurance costs and/or significant reductions in coverage could harm our financial condition and results of operations.


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Major events affecting the aviation insurance industry (such as terrorist attacks, hijackings or airline crashes) may result in significant increases of the airlines' insurance premium or in significant decreases of insurance coverage, as occurred after the September 11, 2001 terrorist attacks. Increases in insurance costs and/or significant reductions in coverage could harm our financial condition and results of operations and increases the risk that we experience uncovered losses.

Problems with air traffic control systems or other technical failures could interrupt our operations and have a material adverse effect on our business.

Our operations, including our ability to deliver customer service, are dependent on the effective operation of our equipment, including our aircraft, maintenance systems and reservation systems. Our operations are also dependent on the effective operation of domestic and international air traffic control systems and the air traffic control infrastructure in the markets in which we operate. Equipment failures, personnel shortages, air traffic control problems and other factors that could interrupt operations could adversely affect our operations and financial results as well as our reputation.

Our business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in our relationships with these providers or their provision of

services to us, could have an adverse effect on our financial position and results of operations.

We have engaged an increasing number of third-party service providers to perform a large number of functions that are integral to our business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of information technology infrastructure and services, provision of aircraft maintenance and repairs, provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. We do not directly control these third-party service providers, although we do enter into agreements with many of them that define expected service performance. Any of these third-party service providers, however, may materially fail to meet their service performance commitments, may suffer disruptions to their systems that could impact their services, or the agreements with such providers may be terminated. For example, flight reservations booked by customers and/or travel agencies via third-party GDSs (Global Distribution Systems) may be adversely affected by disruptions in our business relationships with GDS operators. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or otherwise become subject to renegotiation, may cause the carriers' flight information to be limited or unavailable for display, significantly increase fees for both us and GDS users, and impair our relationships

with customers and travel agencies. The failure of any of our third-party service providers to adequately perform their service obligations, or other interruptions of services, may reduce our revenues and increase our expenses or prevent us from operating our flights and providing other services to our customers. In addition, our business, financial performance and reputation could be materially harmed if our customers believe that our services are unreliable or unsatisfactory.

Disruptions or security breaches of our information technology infrastructure could interfere with our operations, compromise passenger or employee information and expose us to liability, possibly causing our business and reputation to suffer.

A serious internal technology error or failure impacting systems hosted internally at our data centers or externally at third-party locations, or large-scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Our technology systems and related data may also be vulnerable to a variety of sources of interruption, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse

financial and reputational consequences to our business.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our passengers and employees and information of our business partners. The secure operation of the networks and systems on which this type of information is stored, processed and maintained is critical to our business operations and strategy. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. Hardware or software we develop or acquire may contain defects that could unexpectedly compromise information security. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business.

Our business may experience adverse consequences if we are unable to reach satisfactory collective bargaining agreements with our unionized employees.

As of December 31, 2015 approximately 68% of our employees, including administrative personnel, cabin crews, flight attendants, pilots and maintenance technicians are members



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of unions and have contracts and collective bargaining agreements which expire on a regular basis. Our business, financial condition and results of operations could be materially adversely affected by a failure to reach agreement with any labor union representing such employees or by an agreement with a labor union that contains terms that are not in line with our expectations or that prevent us from competing effectively with other airlines.

Collective action by employees could cause operating disruptions and negatively impact our business.

Certain employee groups such as pilots, flight attendants, mechanics and our airport personnel have highly specialized skills. As a consequence, actions by these groups, such as strikes, walk-outs or stoppages, could severely disrupt our operations and negatively impact our operating and financial performance, as well as our image.

Increases in our labor costs, which constitute a substantial portion of our total operating expenses, could directly impact our earnings.

Labor costs constitute a significant percentage of our total operating expenses (22% in 2015) and at times in our operating history we have experienced pressure to increase wages and benefits for our employees. A significant increase in our labor costs above the assumed costs could result in a material reduction in our earnings.

We may experience difficulty finding, training and retaining employees.

Our business is labor intensive. We employ a large number of pilots, flight attendants, maintenance technicians and other operating and administrative personnel. The airline industry has, from time to time, experienced a shortage of qualified personnel, specifically pilots and maintenance technicians. In addition, as is common with most of our competitors, we may, from time to time, face considerable turnover of our employees. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, our training costs will be significantly higher. A failure to recruit, train and retain qualified employees at a reasonable cost could materially adversely affect our business, financial condition and results of operations.

| RISKS RELATED TO THE AIRLINE INDUSTRY AND THE COUNTRIES IN WHICH WE OPERATE

Our performance is heavily dependent on economic conditions in the countries in which we do business. Negative economic conditions in those countries could have an adverse impact on our business.

Passenger and cargo demand is heavily cyclical and highly dependent on global and local economic growth, economic expectations and foreign exchange rate variations, among other things. In the past, our business has been negatively affected by global economic recessionary conditions, weak economic growth in Chile, recent economic conditions in Brazil, recession in Argentina and poor

economic performance in certain emerging market countries in which we operate. The occurrence of similar events in the future could adversely affect our business. We plan to continue to expand our operations based in Latin America and our performance will, therefore, continue to depend heavily on economic conditions in the region.

Any of the following factors could adversely affect our business, financial condition and results of operations in the countries in which we operate:

- changes in economic or other governmental policies;
- weak economic performance, including, but not limited to, low economic growth, low consumption and/or investment rates, and increased inflation rates; or
- other political or economic developments over which we have no control.

In 2015, Brazil suffered from a weak macroeconomic environment, resulting in a GDP decrease of 3.8, reducing the passenger demand in the domestic Brazil by 2.6%. Economic forecasts for Brazil in 2016 a decrease by 3.5% in GDP, according to the International Monetary Fund (IMF) as of January 2016. Weak macroeconomic conditions in Brazil are expected to continue in 2016 and, according to many economic forecasters, into 2017 as well. Because of the significance of the Brazilian market to our business and

operations, continued recessionary conditions in Brazil may materially and adversely affect our business and results of operations.

No assurance can be given that capacity reductions or other steps we may take in response to weakened demand will be adequate to offset any future reduction in our cargo and/or air travel demand. Sustained weakened demand may adversely impact our revenues, results of operations or financial condition.

Our business is highly regulated and changes in the regulatory environment in which we operate may adversely affect our business and results of operations.

Our business is highly regulated and depends substantially upon the regulatory environment in the countries in which we operate or intend to operate. For example, price controls on fares may limit our ability to effectively apply customer segmentation profit maximization techniques (“passenger revenue management”) and adjust prices to reflect cost pressures. High levels of government regulation may limit the scope of our operations and our growth plans, and the possible failure of aviation authorities to maintain the required governmental authorizations or our failure to comply with applicable regulations, may adversely affect our business and results of operations.

Losses and liabilities in the event of an accident involving one or more of our aircraft could materially affect our business.



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We are exposed to potential catastrophic losses in the event of an aircraft accident, terrorist incident or any other similar event. There can be no assurance that, as a result of an aircraft accident or significant incident:

- we will not need to increase our insurance coverage;
- our insurance premiums will not increase significantly;
- our insurance coverage will fully cover all of our liability; or
- we will not be forced to bear substantial losses.

Substantial claims resulting from an accident or significant incident in excess of our related insurance coverage could have a material adverse effect on our business, financial condition and results of operations. Moreover, any aircraft accident, even if fully insured, could cause the negative public perception that our aircraft are less safe or reliable than those operated by other airlines, which could have a material adverse effect on our business, financial condition and results of operations.

Insurance premiums may also increase due to an accident or incident affecting one of our alliance partners or other airlines.

High levels of competition in the airline industry may adversely affect our level of operations.

Our business, financial condition and results of operations could be adversely affected by

high levels of competition within the industry, particularly the entrance of new competitors into the markets in which we operate. Airlines compete primarily over fare levels, frequency and dependability of service, brand recognition, passenger amenities (such as frequent flyer programs) and the availability and convenience of other passenger or cargo services. New and existing airlines (and companies providing ground cargo transportation) could enter our markets and compete with us on any of these bases, including by offering lower prices, more attractive services or increasing their route capacities in an effort to gain greater market share.

Chile has opened its domestic aviation industry to foreign airlines without restrictions, which may change the competitive landscape of the domestic Chilean aviation sector and affect our business and results of operations.

Since November 2013, Chilean laws and regulations have permitted foreign airlines to operate domestic flights in Chile without necessarily setting up a Chilean subsidiary first.

The Chilean Domestic Unilateral Open Skies Rule may change the competitive landscape of the Domestic Chilean Aviation Sector, as it will be easier in the future for foreign companies to freely operate in the Chilean territory, which may subject us to further competition. Competition from international carriers in the Chilean market may affect the competitive dynamics of our industry by reducing our


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passenger traffic and cargo demands, forcing us to reduce our fare levels, which could have a material adverse effect on our revenues and level of operations.

Some of our competitors may receive external support, which could negatively impact our competitive position.

Some of our competitors may receive support from external sources, such as their national governments, which may be unavailable to us. Support may include, among others, subsidies, financial aid or tax waivers. This support could place us at a competitive disadvantage and adversely affect our operations and financial performance.

Our operations are subject to local, national and international environmental regulations; costs of compliance with applicable regulations, or the consequences of noncompliance, could adversely affect our results, our business or our reputation.

Our operations are covered by environmental regulations at local, national and international levels. These regulations cover, among other things, emissions to the atmosphere, disposal of solid waste and aqueous effluents, aircraft noise and other activities incident to our business. Future operations and financial results may vary as a result of such regulations. Compliance with these regulations and new or existing regulations that may be applicable to us in the future could increase our cost base and adversely affect our operations and

financial results. In addition, failure to comply with these regulations could adversely affect us in a variety of ways, including adverse effects on our reputation.

The European Union ("EU") had proposed a directive under which the existing emissions trading scheme (the "ETS") in each EU member state was to be extended to all airlines. This directive would require us to submit annual emission allowances in order to operate routes to and from EU member states. As of the date of this Annual Report, this proposal has been postponed for evaluation in 2016 and the directive affects only intra-European flights (which are not material to our business) but there is a possibility that the directive could be extended to all flights in the future. Currently, we operate six routes to and from Europe, and service additional destinations through our code-sharing agreements. Although it is uncertain if this directive will be approved in 2016, it is increasingly likely that we will be required to participate in some form of an international aircraft emissions program in the future, which may involve significant costs.

Our business may be adversely affected by a downturn in the airline industry caused by exogenous events that affect travel behavior or increase costs, such as outbreak of disease, weather conditions and natural disasters, war or terrorist attacks.

Demand for air transportation may be adversely impacted by exogenous events, such as adverse weather conditions and natural


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disasters, epidemics (such as Ebola and Zika), terrorist attacks, war or political and social instability. Situations such as these in one or more of the markets in which we operate could have a material impact on our business, financial condition and results of operations. Furthermore, these types of situations could have a prolonged effect on air transportation demand and on certain cost items.

Revenues for airlines depend on the number of passengers carried, the fare paid by each passenger and service factors, such as the timeliness of flight departures and arrivals. During periods of fog, ice, low temperatures, storms or other adverse weather conditions, some or all of our flights may be cancelled or significantly delayed, reducing our revenues. In addition, fuel prices and supplies, which constitute a significant cost for us, may increase as a result of any future terrorist attacks, a general increase in hostilities or a reduction in output of fuel, voluntary or otherwise, by oil-producing countries. Such increases may result in both higher airline ticket prices and decreased demand for air travel generally, which could have an adverse effect on our revenues and results of operations.

The 2016 Summer Olympics taking place in Brazil, one of our principal markets, may create operational challenges and decrease corporate traffic, either of which may adversely affect our our business.

Rio de Janeiro was elected as the host of the 2016 Summer Olympics taking place between August 5 and 21. Increasing traffic to Brazil

during the period of the event will create operational challenges and could result in increased delays. In addition, during the month of the event, we expect a strong decrease in corporate traffic, although we expect this decrease to be offset by an increase in leisure traffic, the net effect on our revenues and yields could be negative. Our LATAM Airlines brand could be damaged if we do not fully comply with our passenger's requirements during that month or if infrastructure deficits at some of Brazil's main airports that hinder our normal operations are associated with our brands.

Developments in Latin American countries and other emerging market countries may adversely affect the Chilean and Brazilian economies, negatively impact our business and results of operations and cause the market price of our common shares and ADSs to decrease.

We conduct a significant portion of our operations in emerging market countries, particularly in Latin America. As a result, economic and political developments in these countries, including future economic crises and political instability, could impact the Chilean or Brazilian economies and have a material adverse effect on our business, financial condition and results of operations and the market value of our securities. Although economic conditions in other emerging market countries may differ significantly from economic conditions in Chile and Brazil, we cannot assure that events in other countries, particularly other emerging market countries,


 | RISK
FACTORS

will not adversely affect the market value of, or market for, our common shares or ADSs.

The Brazilian government has exercised, and may continue to exercise, significant influence over the Brazilian economy, which may have an adverse impact on our business, financial condition and results of operations.

The Brazilian economy has been characterized by the significant involvement of the Brazilian government, which often changes monetary, credit, fiscal and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and implement other policies have involved wage and price controls, depreciation of the real, controls over remittance of funds abroad, intervention by the Central Bank to affect base interest rates and other measures. We have no control over, and cannot predict what measures or policies the Brazilian government may take in the future. An open issue is the political instability due to the potential impeachment of President Dilma Rousseff.

| RISKS RELATED TO OUR COMMON SHARES AND ADSS

Our controlling shareholders may have interests that differ from those of our other shareholders.

We have two groups of major shareholders—the Cueto Group (the “LATAM Controlling Shareholders”) and the Amaro Group (the “TAM Controlling Shareholders”). As of January 31,

2015, the LATAM Controlling Shareholders, in the aggregate, beneficially owned 25.5% of our voting common shares, and the TAM Controlling Shareholders, in the aggregate, beneficially owned 12.0% of our voting common shares. The LATAM Controlling Shareholders are in a position to elect three of the nine members of our board of directors and are in a position to direct our management. In addition, the LATAM Controlling Shareholders have entered into a shareholders agreement with the TAM Controlling Shareholders, pursuant to which these controlling shareholders have agreed to vote together to elect individuals that the TAM Controlling Shareholders nominate to our board of directors. See “Item 7. Controlling Shareholders and Related Party Transactions—Major Shareholders.”

Under the terms of the deposit agreement governing the ADSs, if holders of ADSs do not provide JP Morgan Chase Bank, N.A., in its capacity as depository for the ADSs, with timely instructions on the voting of the common shares underlying their ADRs, the depository will be deemed to have been instructed to give a person designated by the board of directors the discretionary right to vote those common shares. The person designated by the board of directors to exercise this discretionary voting right may have interests that are aligned with our controlling shareholders, which may differ from those of our other shareholders. Historically, our board of directors has designated its chairman, who currently is Mauricio Amaro, to serve in this role.


 RISK
 FACTORS

Trading of our ADSs and common shares in the securities markets is limited and could experience further illiquidity and price volatility.

Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. In addition, Chilean securities markets may be materially affected by developments in other emerging markets, particularly other countries in Latin America. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depository at any time, your ability to sell the common shares underlying ADSs in the amount and at the price and time of your choice may be substantially limited. This limited trading market may also increase the price volatility of the ADSs or the common shares underlying the ADSs.

Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations.

If the Chilean peso exchange rate falls relative to the U.S. dollar, the value of the ADSs and any distributions made thereon from the depository could be adversely affected. Cash distributions made in respect of the ADSs are received by the depository (represented by the custodian bank in Chile) in pesos, converted by the custodian bank into U.S. dollars at the then-prevailing exchange rate and distributed by the depository to the holders of the ADRs evidencing those ADSs. In addition, the depository will incur foreign

currency conversion costs (to be borne by the holders of the ADRs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the ADSs.

Future changes in Chilean foreign investment controls and withholding taxes could negatively affect non-Chilean residents that invest in our shares.

Equity investments in Chile by non-Chilean residents have been subject in the past to various exchange control regulations that govern investment repatriation and earnings thereon. Although not currently in effect, regulations of the Central Bank of Chile have in the past required, and could again require, foreign investors acquiring securities in the secondary market in Chile to maintain a cash reserve or to pay a fee upon conversion of foreign currency to purchase such securities. Furthermore, future changes in withholding taxes could negatively affect non-Chilean residents that invest in our shares.

We cannot assure you that additional Chilean restrictions applicable to the holders of ADRs, the disposition of the common shares underlying ADSs or the repatriation of the proceeds from an acquisition, a disposition or a dividend payment, will not be imposed or required in the future, nor could we make an assessment as to the duration or impact, were any such restrictions to be imposed or required. For further information, see “Item 10. Additional Information—Exchange Controls—Foreign Investment and Exchange Controls in Chile.”

Our ADS holders may not be able to exercise preemptive rights in certain circumstances.

The Chilean Corporation Law provides that preemptive rights shall be granted to all shareholders whenever a company issues new shares for cash, giving such holders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We will not be able to offer shares to holders of ADSs and shareholders located in the United States pursuant to the preemptive rights granted to shareholders in connection with any future issuance of shares unless a registration statement under the U.S. Securities Act of 1933, as amended, (the “Securities Act”), is effective with respect to such rights and shares, or an exemption from the registration requirements of the Securities Act is available. At the time of any rights offering, we will evaluate the potential costs and liabilities associated with any such registration statement in light of any indirect benefit to us of enabling U.S. holders of ADRs evidencing ADSs and shareholders located in the United States to exercise preemptive rights, as well as any other factors that may be considered appropriate at that time, and we will then make a decision as to whether we will file a registration statement. We cannot assure you that we will decide to file a registration statement or that such rights will be available to ADS holders and shareholders located in the United States.

We are not required to disclose as much information to investors as a U.S. issuer

is required to disclose and, as a result, you may receive less information about us than you would receive from a comparable U.S. company.

The corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. company and, as a result, you may receive less information about us than you would receive from a comparable U.S. company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The disclosure requirements applicable to foreign issuers

under the Exchange Act are more limited than the disclosure requirements applicable to U.S. issuers. Publicly available information about issuers of securities listed on Chilean or Brazilian stock exchanges also provides less detail in certain respects than the information regularly published by listed companies in the United States or in certain other countries. Furthermore, there is a lower level of regulation of the Chilean and Brazilian securities markets and of the activities of investors in such markets as compared with the level of regulation of the securities markets in the United States and in certain other developed countries.



| RISK
FACTORS


 | ADDITIONAL
 INFORMATION

| SUPPLIERS

In 2014, as in previous years, the main suppliers of LATAM Airlines Group were the Airbus and Boeing aircraft manufacturers. Its other suppliers consist mainly of companies that produce aircraft accessories, spares and components such as: Pratt & Whitney, IAE International Aero Engines AG, Rolls-Royce plc, General Electric Comercial Aviation Services Ltd., MTU Hannover, Snecma, CFMI, Air France/KLM, Pratt and Whitney Canada, Honeywell, Hamilton (motores y APU); Zodiac Seats US, Recaro, BE Aerospace, Zodiac Seats UK (asientos); Teledyne (TCS B787-9); Honeywell y Rockwell Collins (Avionics); Air France, LUFTHANSA Technik (Componentes MRO); Panasonic, Thales (Entretenimiento Abordo); Messier Bugatti (Trenes y Frenos); UTC Aerospace (Nacelas). In addition, the Company has a number of fuel suppliers such as Raizen, World Fuel Services, YPF, Petrobras, Terpel, Repsol, Shell, Copex, among others.

| INSURANCE

Taking into account all those areas of its operations that involve potential risks, LATAM Airlines Group carries insurance that can be divided into three main categories: aviation, hull and liability insurance. These types of insurance cover all the risks inherent to commercial aviation such as aircraft, engines, spare parts and third-party liability for passengers, cargo, baggage, merchandise and airports, etc. Since the merger of LAN with TAM, insurance for both companies has been

acquired by LATAM Airlines Group and the increased volumes negotiated have resulted in lower operational costs.

| GENERAL INSURANCE

Insurance of this type provides coverage against all those risks that could affect the Company's assets, particularly its physical goods and financial assets. These are protected through multi-risk policies (including fire, theft, computer equipment, transport of securities, window breakage and other all-risk coverage) as well as traditional coverage of motor vehicles, air and sea transport, corporate civil liability, etc. In addition, LATAM holds life and accident insurance on behalf of all its personnel including executives, staff in general and flight crews.

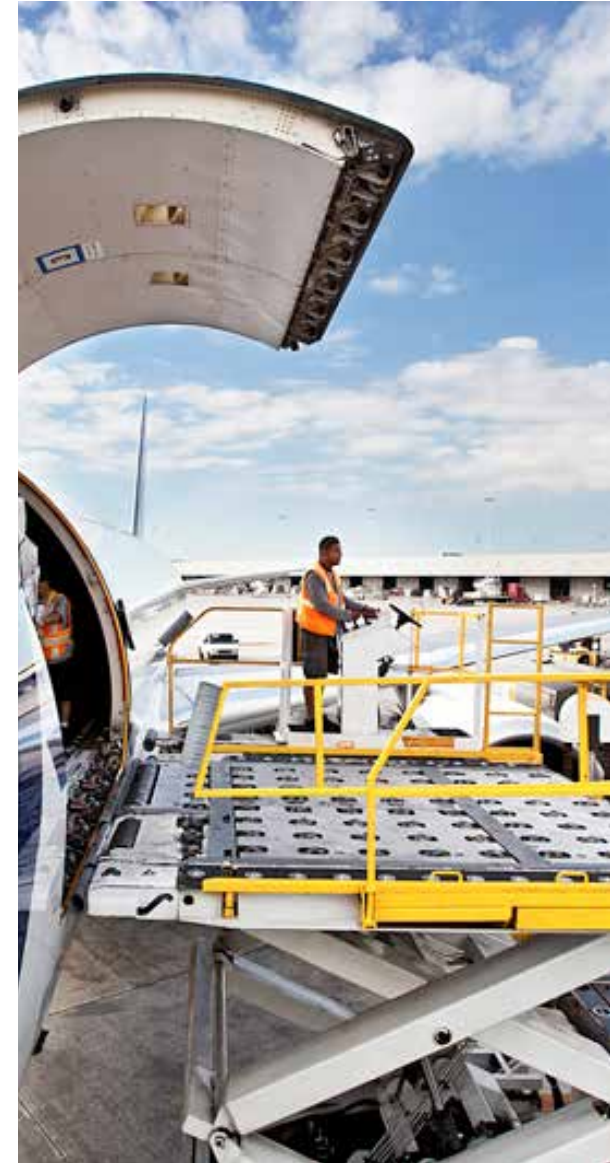
| TRADEMARKS AND PATENTS

LATAM and its subsidiaries use a number of trademarks. These are duly registered with the corresponding bodies in the different countries in which they operate or are the origin and/or destination of their operations in order to be able to differentiate and market their products and services in these countries.

Constantly renovating

LATAM Airlines Group announced in 2012 the implementation of a fleet restructuring plan with the purpose of reducing the variety of aircrafts that currently operates and gradually phase out the less efficient ones. As of December 2015, the Company's plan is making progress, after phasing out 19 aircrafts in 2015, such as the last seven Dash Q200 aircrafts, three A340 aircrafts and three A330 aircrafts, the latter will be completely phased out from the fleet during 2016. Additionally, LATAM incorporated 23 larger, most modern and efficient aircrafts such as A321, Boeing 787-9 and the first Airbus A350.

At the same time, LATAM reviewed its fleet delivery schedule for the period 2016-2018, achieving a reduction of US\$ 2.8 billion, or 36% of the fleet committed for that period, through the deferral and sale of long and short-haul aircrafts. The restructuring plan main objective is to adjust capacity to the current conditions of the market in Latin America, being in line with the goal of maintaining a healthy balance and adequate liquidity level through the decrease in investments (Capex). The fleet plan showed below reflects the current commitments of the Group's fleet:



LATAM'S
FLEET PLAN

AT YEAR END	2015	2016	2017	2018
PASSENGER AIRCRAFT				
NARROW BODY				
AIRBUS A319 - 100	50	48	48	48
AIRBUS A320 - 200	154	146	136	130
AIRBUS A320 NEO	0	2	16	24
AIRBUS A321 - 200	36	47	47	47
AIRBUS A321 NEO	0	0	0	6
TOTAL	240	243	247	255
WIDE BODY				
AIRBUS A330 - 200	10	0	0	0
BOEING 767 - 300	38	37	36	34
AIRBUS A350 - 900	1	7	11	13
BOEING 777 - 300 ER	10	10	10	7
BOEING 787 - 8	10	10	10	10
BOEING 787 - 9	7	12	14	18
TOTAL	76	76	81	82
CARGO AIRCRAFT				
BOEING 777 - 200F	3	3	2	2
BOEING 767 300F	8	7	6	6
TOTAL	11	10	8	8
TOTAL FLEET	327	329	336	345
FLEET COMMITMENT (US\$ MILLIONS)	1,689	1,952	1,409	1,486

Note: This table does include three B767-300F and on B777-200F that LATAM is currently leasing to a third party.



LATAM'S
FLEET PLAN



| SUSTAINABILITY
VISION



| SUSTAINABILITY
GOVERNANCE



| CLIMATE
CHANGE



| CORPORATE
CITIZENSHIP



| RELATION WITH
GROUPS OF INTEREST

Our ambition to be among the best

LATAM Airlines Group aims to be among the three best airlines in the world, which means much more than to make progress in the economic performance only, but also to obtain the customers' preference, improve connectivity in the region and to consolidate an internal culture of work. The vision of the Company is based on relationships and business dynamics that endure over time, under which the creation of value is shared by the shareholders, investors, employees, customers, suppliers and the community as a whole, under which the commitment with the future is built everyday at present.

Looking forward to materialize this vision, LATAM Airlines Group is oriented by the Corporate Sustainability Strategy 2015-2018, strategy that answers the most relevant issues identified by the Company, which were defined in 2013 and are revalidated each year to maintain the leadership of LATAM in the industry. The Corporate Sustainability Strategy is in line with the strategic pillars of the business- network leadership, leader brand and customer experience, cost competitiveness, operational strength and risk management- and is comprised by three dimensions:

- Sustainability Governance: the Company adopts a clear and transparent positioning in relation to its commitments and objectives; the internal structure of decision making, execution and monitoring of results support the execution of the strategy;



| SUSTAINABILITY
VISION





| SUSTAINABILITY
VISION

- **Climate Change:** to balance a risk mitigation vision and to look for new opportunities, to manage real and potential environmental impact of the business, emphasizing the carbon footprint reduction, the use of alternative sources of energy and eco-efficiency actions;
- **Corporate Community:** make the business and the relationships of LATAM within its value chain a socioeconomic catalyst that provides environmental balance in the region through professional development actions, private social investment, incentive to good practices and tourism promotion.

These three dimensions determine the behavior of the Company and helps to face responsibly the different stakeholder groups of the Company in its leading role in the region.

In the day-to-day operation, the strategy of LATAM Airlines Group implements initiatives carried out jointly by different areas of the Company and monitors material issues, in

other words those important for the Company and the sector in which it operates. The definition of these topics allows managing critical issues, defining and following up the goals, to establish action plans for the main impacts and to communicate commitment of the Company in line with the expectations and needs of its stakeholders.

Finally, 2015 was a year of accomplishments and new projects for LATAM Airlines Group. For the second year in a row, it was incorporated into the Dow Jones World Sustainability Index, which chooses 319 companies that hold the best evaluation in economic, social and environmental issues among the 2,500 largest companies worldwide. Worth is to highlight the project carried out by the Vice Presidency of Corporate Affairs, who carried out a mapping process of the Company's stakeholders to identify critical topics, prioritize and establish communication channels and ultimately create jointly actions together with the stakeholders.

Our sustainability management

We define governance as the system that mobilize, monitors and integrates the sustainability of the business. The structure of the decision making process is one of the most important dimensions in managing a company, and becomes more relevant if the Company wants to leave the traditional business and move towards an organization that aims to deeply contribute to sustainable development, thus broadening the business vision and incorporating other stakeholders to the decision making process. Consequently, in LATAM Airlines Group we are committed to incorporate sustainability starting from the senior management of the Company, which is materialized in a broad range of recognitions that we have received lately, such as being part of the Dow Jones World Sustainability Index, the Sustainability Index of the Santiago Stock Exchange, among others.

As part of the implementation of the sustainability strategy, the management report for these subjects was transferred directly to the executive committee of LATAM Group, where in addition they review the Company's sustainability strategy objectives and goals.

The Company's corporate governance practices are subject to a new revision, thus ensuring the fulfillment of internal policies and codes such as the regulations in the markets where we operate. The decision-making process and the commercial activities must include the ethical

principles and behavior defined in the Code of Conduct of LATAM Group.

The Code of Conduct was published in 2014 and every employee was trained on its knowledge and implementation, thus providing orientation and unique guidelines for the relationships with the different stakeholders.

Looking forward to guarantee the proper relationship with the representatives of governments and associations, we have LATAM's Code of Conduct as the activity framework, its Anti-corruption Policies, Gifts Policies, Entertainment and Trips for Public Employees and Third Representatives, and also Gifts, Entertainment and Hospitality for Customers and Suppliers, besides the unrestricted adherence to the applicable law in the different countries where we operate. With regards to the agreements or financial contributions on behalf of the Group for charity, social or politics, the Code of Conduct determines that the approval of the Board of Directors is needed.

Specifically in terms of Sustainability, the LATAM Airlines Group has signed the Global Pact and therefore is governed by the ISO 26000 principles. The Company reports annually its results in a Sustainability Report with GRI guidelines, and is part of the Dow Jones World Sustainability Index and of the Carbon Disclosure Project.



| SUSTAINABILITY
GOVERNANCE

Our commitment to the environment

The United Nations Framework Convention on Climate Change (UNFCCC) defines this phenomenon as a change in climate that alters the world's atmosphere, causing significant harmful effects to the composition, resilience or productivity of natural ecosystems. The key objective in order to combat climate change is to stabilize and control greenhouse gas emissions.

LATAM Airlines Group is aware of the impacts generated by the airline industry (which is responsible for 2% of the greenhouse gas emissions that can be attributed to human activity), and developed a climate change strategy which allows the Company to address initiatives in two fields: impact and profitability, with actions directly related to the impacts of our operations, being handled from the risk management point of view, and are also controlled and mitigated through our management system; and also the involvement and acknowledgement, whose focus is centered in awareness-raising initiatives and training of our employees and the promotion of actions and good environmental practices.

LATAM Airlines Group's Environmental Management System, which is aligned with ISO 14,001 requirements for ground operations and the Environmental Assessment (IEnvA) system developed jointly with IATA for flight operations, establishes controls on significant environmental aspects, efficiency programs, the optimization of processes and

risk management related to the operations' emissions. During 2015 there were two important milestones: LAN CARGO became the first cargo airline operating at the International Miami Airport that received the international certification ISO 14001:2004, and also we reached the certification for the second stage of IEnvA, the highest possible, for the international flights operated by LAN from Chile.

Most of our greenhouse gas emissions are a result of the burning of fuel, making efficiency gains, consumption reductions and good management key issues in this field. For this purpose we have set in motion a fleet renovation plan with the acquisition of modern aircrafts that incorporates the latest-generation engines and the adoption of efficiency criteria that imply environmental improvements in decisions related to the fleet, therefore we have become one of the most efficient airlines in terms of emissions per kilometer-passenger carried in the airline industry worldwide. During 2015, the fuel efficiency programs of LAN and TAM were unified in one program named LATAM Fuel, which manages every fuel savings initiatives, and includes operational and technological projects going from the efficiency improvement of our operations to the air traffic management and the incorporation of structural development on aircrafts. The results of the implementation of these initiatives during 2015 generated fuel savings equivalent to more than 38 million



CLIMATE
CHANGE



| CLIMATE
CHANGE

gallons and reduction of its CO₂ emissions by 360 thousand tons, and also reduced noise and improved local air quality.

We are committed with the goal of the industry to achieve carbon-neutral growth by 2020, for this purpose we accomplished different initiatives to reduce our carbon footprint. The development of sustainable alternative energies is a key issue for the air transport industry, and LATAM Airlines Group is aligned with these efforts and will continue working to develop and in the future to incorporate sustainable alternative fuels. Besides the in-flight fuel efficiency, we have energy efficiency initiatives on land. In addition, starting from 2012 in Peru and 2014 in Colombia, we neutralized ground emissions through local reforestation programs.

The strategic challenge of LATAM Airlines Group is to become a leader and worldwide referent in climate change, thus contributing to the efficiency and competitiveness of the Company.

Our commitment to the region



CORPORATE
CITIZENSHIP

Corporate Citizenship seeks to fortify the relationships with customers, employees, communities, governments and suppliers, thus helping to build positive relationships that contribute to the Company, to the society and to the destinations where we operate. This enables the Company to get “Social License” to operate, namely the vote of confidence of stakeholders. Corporate Citizenship includes philanthropy, but expands the framework to include actions that improves social impact.

The Sustainability Corporate Strategy for 2015-2018 defines four focuses of action that involve the communities in the destinations we operate and our people:

1. Support the internal culture of the Company and the well being of our employees.
2. Integrate the social and environmental variables in products and services that improve the customers' experience.
3. Contribute to the economic development of the destinations where it operates.
4. Contribute to the preservation of cultural and environmental heritage in Latin America.

This strategy is in line with the two strategic pillars of the Company: “Brand and Clients' Experience” and “Organizational Strength”, crucial elements to promote a culture where each and every one of our actions and decisions considers in a balanced manner its impact over

results and also over people and customers. To ensure that this distinguishing experience that LATAM wants to bring to its customers to be consistent over time –independently from the country where it operates– the Company has a common purpose to address, that motivates and mobilizes the actions of over 51 thousand people that belongs to the Company's team. Looking forward to meet this objective, LATAM has three guidelines or pillars that guide the behavior to offer a memorable and differentiating service:

Security: we guarantee our security at all times, also the security of our team and our customers.

Be Kind: we care for the needs and emotions of people and we resolve with kindness.

Efficiency: we strive to do better all the time and focus on what's important for the customer.

A key issue for LATAM Group's business is to offer a service of excellence and to provide a unique experience for customers, for both the passenger and cargo businesses. In this regard, the projects related to the Brand and Customers' Experience pillar are very important.

We seek to improve our processes from the perspective of a culture of continuous improvement, working to conquer the trust and loyalty of our customers; starting with the planning, flight offer, check-in or boarding, to continue with the end of the trip or the


 | CORPORATE
CITIZENSHIP

delivery of the merchandise transported. We are working with the belief that we are enabled to transform the experience of a traditional trip into an agile, fast, with less waiting times at the airport, less period of time between connections, more options on onboard entertainment and higher information in the case of a contingency.

The most important project related to customers' experience is the "Twist" project, which establishes transversally a new organizational culture. During 2015 the first stages of this project were implemented at the Brasilia Airport and in the Contact Center in Santiago.

The first step was to identify how the teams are organized, the demand flow, the customers' profiles and the needs of the units. The proposal is to create a global strategy, with specifications, and that adapts to the local requirements and realities.

During three months, the transformation teams implemented changes to the operational routines and monitored the results. More than 40 initiatives were carried out, covering activities such as the ways to apply the Company's policies, the distribution of roles and responsibilities, and also to adopt monitoring tools for the client's satisfaction in real time. A key element was the stronger commitment of employees due to the higher autonomy in the decision making process.

Results were positive in the three monitored dimensions: customers' satisfaction,

commitment and productivity of employees. The initiative will expand to the rest of the services' network during 2016 and 2017.

The scope of the impact is broad, due to the fact that we operate in different countries; and we have an impact in every community where we operate through the connectivity and the local effect of our operations. Consequently, in relation to our relationship with the Communities, we have defined that our concern is to contribute to the economic development and the conservation of the cultural and environmental heritage of Latin America.

With regards to the suppliers management, 2015 was a year in which the priority was the internal alignment, where policies and procedures of acquisitions of product and services and suppliers management were implemented; thus consolidating the acquisition policies of LATAM, which is based on the Code of Ethics and Anti-Corruption of LATAM Group, besides the specific regulations in the countries where the company operates. The document results from an extended process developed by the Acquisitions, Compliance and Legal teams.

This new policy defines the relationship with suppliers, particularly with regards to risk management, codes of ethics, legal compliance and social and environmental criteria.

We aim to contribute to the development of the region through the promotion of sustainable tourism, thus positioning as leaders in sustainability in the region.

CORPORATE
CITIZENSHIP

With regards to sustainable tourism, in 2015 the program I Care for my Destiny (Cuido mi Destino, CMD) has existed for 6 years in Argentina, Chile, Colombia, Ecuador and Peru, and for the first time in Brazil. In this program, students and community members jointly work in the recovery of public spaces with a touristic value, such as monuments and/ or important constructions in each city. As part of the CMD program, students and authorities have talks about touristic awareness, the environment and local culture, thus promoting responsible tourism and historic and cultural heritage care cultural in Latin America. Since its creation in 2009, the program has been developed 59 times in 24 sites in Latin America, where over 3,000 students and volunteers from the LATAM Airlines Group has participated.

Finally, through our operations we aim to support Social Investment, where we have focused on the contribution that we can provide to non-governmental organizations, which with their work they intend to contribute to the development of the continent to fight against poverty, caring for the conservation of the environmental, citizens and human rights protection. We support these initiatives with the transportation of volunteers or through direct donations. During 2015 LATAM donated 3,537 tickets and transported over 120 tons of goods and articles to aid in catastrophes.

| DIVERSITY OF THE ORGANIZATION

EMPLOYEES PER COUNTRY AND GENDER

		
	17.300	8.931
	7.382	5.031
	1.494	1.209
	881	866
	1.034	571
	1.855	2.041
	247	189
	737	645
total	30.930	19.483

NUMBER OF PEOPLE BY AGE

18.081	20.444	8.391	2.980	482	35	50.413
up to 30 years	31 to 40 years	41 to 50 years	51 to 60 years	61 to 70 years	70+ years	total

NUMBER OF PEOPLE BY WORKING LIFE











18.290	10.960	10.726	4.265	6.172	50.413
up to 3 years	4 - 6 years	7 - 9 years	10 - 12 years	12+ years	total



CORPORATE
CITIZENSHIP

| DIVERSITY OF MANAGEMENT

NUMBER OF PEOPLE BY CITIZENSHIP AND GENDER

		
	441	169
	364	149
	38	16
	38	10
	35	14
	15	8
	63	11
	51	14
total	1.045	391

NUMBER OF PEOPLE BY AGE

119	727	407	163	20	1.436
up to 30 years	31 to 40 years	41 to 50 years	51 to 60 years	61 to 70 years	total

NUMBER OF PEOPLE BY WORKING LIFE

334	296	243	191	372	1.436
up to 3 years	4-6 years	7-9 years	10-12 years	12+ years	total



CORPORATE CITIZENSHIP

| CORPORATE DIVERSITY

NUMBER OF PEOPLE BY CITIZENSHIP AND GENDER

		
	5	0
	2	0
	1	0
	1	0
total	9	0



NUMBER OF PEOPLE BY AGE

0	1	4	3	1	9
31 to 40 years	41 to 50 years	51 to 60 years	61 to 70 years	70+ years	total

NUMBER OF PEOPLE BY WORKING LIFE

2	5	-	-	2	9
up to 3 years	4-6 years	7-9 years	10-12 years	12+ years	total

| SALARY MULTIPLE BY MANAGEMENT LEVEL

		
EXECUTIVE LEVEL	1,36 times	
MEDIUM LEVEL	1,07 times	
GENERAL ROLE	0,96 times	



CORPORATE CITIZENSHIP



RELATIONSHIP WITH GROUPS OF INTEREST

In 2015, the Vice Presidency of Corporate Affairs led a process whose main objectives were the following: identify LATAM Airlines Group's stakeholders and define their critical issues; determine those groups of priority interest and map its importance; establish and systematize a management model to determine the corporate relationships with stakeholders; identify areas of bundling with each stakeholder using follow-up indicators; establish permanent communication and bundling channels, coordinated, transparent and defined, with the purpose to achieve articulated and reliable relationships; and finally generate joint actions that enables the Company to identify gaps and opportunities.

The fieldwork was based on the analysis of the most recent Materiality Process and the revision of internal documentation, such as: code of conduct, annual report and sustainability report, among others. One criterion was established with this information, which considered two variables: relevance and influence. The analysis of the information available and the variable crossing resulted on the identification of 19 representative and generic stakeholder groups:

- Academy
- Shareholders
- Trade Associations
- Risk rating agencies and market analysts
- Cargo Clients
- Passenger Clients

- Collaborators
- Local Communities
- Airport Dealers
- Public and regulatory entities
- Sector Specialists
- Industry
- Investors
- Media
- ONG/Foundations
- International Organizations
- Primary Suppliers
- Secondary Suppliers
- Unions
- Third parties and subcontractors

These stakeholder groups were divided into four categories:

Crucial: stakeholders that may establish the terms of a resolution. Their influence has high impact on the Company.

Optional: stakeholders that possess high level of influence. Their mobility depends on the impact that their action might have.

Vigilant: they have a strong ability to influence the Company; nonetheless their level of influence is medium or low.

Inactive: the lack of action of these stakeholders determines their observant category; they hold a medium or low level of influence and impact.

Thanks to the relationships that the Company maintains with the governmental institutions and the sector entities in the different markets where it operates, LATAM has an active voice facing issues that influence direct or indirectly on its business strategy, which is always carried out in full compliance with the applicable law and the rules contained in the Code of Conduct of LATAM and its internal policies. Over time, we have sought to strengthen our participation in trade or industrial associations that represent the airline industry.

Globally, we act through IATA, which is a key discussion space of new technologies, operational security and current and future challenges of the airline sector. At a regional level, we also participate in the Latin American and Caribbean Air Transport Association (ALTA), where Enrique Cueto, CEO of LATAM Airlines Group, became chairman in 2015, fact that reinforces the commitment of the LATAM Airlines Group with the airline industry.

With the intention to stand always for the rightful and transparent dialogue, we seek to obtain joint solutions and focus on efficiency and profitability. LATAM has teams responsible for monitoring and to participate in those debates. In Chile and in other markets, we also work to study routes and flights that allow the creation of tourism, jobs and profitability for the communities where we didn't operate in the past, including the coordination required with communities and local governments.



UMAYO LAKE, PERU.

PREPARED IN ACCORDANCE WITH STANDARDS ESTABLISHED
BY THE CHILEAN SUPERINTENDENCY OF SECURITIES AND INSURANCE

DECEMBER 31, 2015

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

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LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Current assets			
Cash and cash equivalents	6 - 7	753,497	989,396
Other financial assets	7 - 11	651,348	650,401
Other non-financial assets	12	330,016	247,871
Trade and other accounts receivable	7 - 8	796,974	1,378,835
Accounts receivable from related entities	7 - 9	183	308
Inventories	10	224,908	266,039
Tax assets	17	64,015	100,708
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		2,820,941	3,633,558
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		1,960	1,064
Total current assets		2,822,901	3,634,622
Non-current assets			
Other financial assets	7 - 11	89,458	84,986
Other non-financial assets	12	235,463	342,813
Accounts receivable	7 - 8	10,715	30,465
Intangible assets other than goodwill	14	1,321,425	1,880,079
Goodwill	15	2,280,575	3,313,401
Property, plant and equipment	16	10,938,657	10,773,076
Tax assets	17	25,629	17,663
Deferred tax assets	17	376,595	407,323
Total non-current assets		15,278,517	16,849,806
Total assets		18,101,418	20,484,428

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY	Note	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
LIABILITIES			
Current liabilities			
Other financial liabilities	7 - 18	1,644,235	1,624,615
Trade and other accounts payables	7 - 19	1,483,957	1,489,373
Accounts payable to related entities	7 - 9	447	56
Other provisions	20	2,922	12,411
Tax liabilities	17	19,378	17,889
Other non-financial liabilities	21	2,490,033	2,685,386
Total current liabilities		5,640,972	5,829,730
Non-current liabilities			
Other financial liabilities	7 - 18	7,532,385	7,389,012
Accounts payable	7 - 23	417,050	577,454
Other provisions	20	424,497	703,140
Deferred tax liabilities	17	811,565	1,051,894
Employee benefits	22	65,271	74,102
Other non-financial liabilities	21	272,130	355,401
Total non-current liabilities		9,522,898	10,151,003
Total liabilities		15,163,870	15,980,733
EQUITY			
Share capital	24	2,545,705	2,545,705
Retained earnings	24	317,950	536,190
Treasury Shares	24	(178)	(178)
Other reserves		(6,942)	1,320,179
Parent's ownership interest		2,856,535	4,401,896
Non-controlling interest	13	81,013	101,799
Total equity		2,937,548	4,503,695
Total liabilities and equity		18,101,418	20,484,428

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	Note	For the period ended December 31,	
		2015 ThUS\$	2014 ThUS\$
Revenue	25	9,740,045	12,093,501
Cost of sales		(7,636,709)	(9,624,501)
Gross margin		2,103,336	2,469,000
Other income	27	385,781	377,645
Distribution costs		(783,304)	(957,072)
Administrative expenses		(878,006)	(980,660)
Other expenses		(323,987)	(401,021)
Other gains/(losses)		(55,280)	33,524
Income from operation activities		448,540	541,416
Financial income		75,080	90,500
Financial costs	26	(413,357)	(430,034)
Share of profit of investments accounted for using the equity method		37	(6,455)
Foreign exchange gains/(losses)	28	(467,896)	(130,201)
Result of indexation units		481	7
Income (loss) before taxes		(357,115)	65,233
Income (loss) tax expense / benefit	17	178,383	(142,194)
NET INCOME (LOSS) FOR THE PERIOD		(178,732)	(76,961)
Income (loss) attributable to owners of the parent		(219,274)	(109,790)
Income (loss) attributable to non-controlling interest	13	40,542	32,829
Net income (loss) for the year		(178,732)	(76,961)
EARNINGS PER SHARE			
Basic earnings (losses) per share (US\$)	29	(0.40193)	(0.20125)
Diluted earnings (losses) per share (US\$)	29	(0.40193)	(0.20125)

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period ended December 31,	
		2015 ThUS\$	2014 ThUS\$
NET INCOME (LOSS)		(178,732)	(76,961)
Components of other comprehensive income that will not be reclassified to income before taxes			
Other comprehensive income, before taxes, gains (losses) by new measurements on defined benefit plans	24	(14,631)	-
Total other comprehensive income that will not be reclassified to income before taxes		(14,631)	-
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	28	(1,409,439)	(650,439)
Other comprehensive income, before taxes, currency translation differences		(1,409,439)	(650,439)
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	18	80,387	(163,993)
Other comprehensive income (losses), before taxes, cash flow hedges		80,387	(163,993)
Total other comprehensive income that will be reclassified to income before taxes		(1,329,052)	(814,432)
Other components of other comprehensive income (loss), before taxes		(1,343,683)	(814,432)
Income tax relating to other comprehensive income that will not be reclassified to income			
Income tax relating to new measurements on defined benefit plans	17	3,911	-
Accumulate income tax relating to other comprehensive income that will not be reclassified to income		3,911	-
Income tax relating to other comprehensive income that will be reclassified to income			
Income tax related to cash flow hedges in other comprehensive income		(21,103)	47,979
Income taxes related to components of other comprehensive income that will be reclassified to income		(21,103)	47,979
Total Other comprehensive income		(1,360,875)	(766,453)
Total comprehensive income (loss)		(1,539,607)	(843,414)
Comprehensive income (loss) attributable to owners of the parent		(1,551,331)	(830,502)
Comprehensive income (loss) attributable to non-controlling interests		11,724	(12,912)
TOTAL COMPREHENSIVE INCOME (LOSS)		(1,539,607)	(843,414)

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the parent											Total equity TUISS
	Change in other reserves											
	Share capital TUISS	Treasury shares TUISS	Currency translation reserve TUISS	Cash flow hedging reserve TUISS	Actuarial gains or losses on defined benefit plans TUISS	Shares based payments reserve TUISS	Other sundry reserve TUISS	Total retained earnings TUISS	Parent's ownership interest TUISS	Non-controlling interest TUISS	Total equity TUISS	
Equity as of January 1, 2015	2,545,705	(78)	(1,193,871)	(151,340)	-	29,642	2,635,748	1,320,179	536,190	4,401,896	101,799	4,503,695
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	24	-	-	-	-	-	-	(219,274)	(219,274)	46,542	(178,732)	
Other comprehensive income		-	(1,382,170)	68,830	(8,717)	-	(1,332,057)	-	(1,332,057)	(28,818)	(1,360,875)	
Total comprehensive income		-	(1,382,170)	68,830	(8,717)	-	(1,332,057)	(219,274)	(1,551,331)	17,724	(1,533,607)	
Transactions with shareholders												
Increase (decrease) through transfers and other changes, equity	24-33	-	-	-	-	6,005	(1,009)	4,336	1,034	5,970	(32,510)	(26,540)
Total transactions with shareholders		-	-	-	-	6,005	(1,009)	4,336	1,034	5,970	(32,510)	(26,540)
Closing balance as of												
December 31, 2015	2,545,705	(78)	(2,576,041)	(96,510)	(8,717)	35,647	2,638,679	(6,942)	317,950	2,856,535	81,083	2,937,548

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the parent											Total equity TUISS
	Change in other reserves											
	Share capital TUISS	Treasury shares TUISS	Currency translation reserve TUISS	Cash flow hedging reserve TUISS	Shares based payments reserve TUISS	Other sundry reserve TUISS	Total retained earnings TUISS	Parent's ownership interest TUISS	Non-controlling interest TUISS	Total equity TUISS		
Equity as of January 1, 2014	2,389,384	(78)	(589,991)	(34,508)	21,011	2,657,800	2,054,312	795,363	5,238,821	87,638	5,326,459	
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	24	-	-	-	-	-	-	(109,790)	(109,790)	32,820	(76,961)	
Other comprehensive income		-	(603,880)	(116,832)	-	-	(720,712)	-	(720,712)	(45,741)	(766,453)	
Total comprehensive income		-	(603,880)	(116,832)	-	-	(720,712)	(109,790)	(830,502)	(12,921)	(843,414)	
Transactions with shareholders												
Equity issuance	24-33	156,321	-	-	-	-	-	-	-	156,321	-	156,321
Increase (decrease) through transfers and other changes, equity	24-33	-	-	-	-	8,631	(22,052)	(13,421)	(149,323)	(162,744)	27,073	(135,671)
Total transactions with shareholders		156,321	-	-	-	8,631	(22,052)	(13,421)	(149,323)	(162,744)	27,073	20,650
Closing balance as of												
September 30, 2014 (Unaudited)	2,545,705	(78)	(1,193,871)	(151,340)	29,642	2,635,748	1,320,179	536,190	4,401,896	101,799	4,503,695	

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT METHOD

	Note	For the periods ended	
		December 31,	
		2015	2014
		ThUS\$	ThUS\$
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		11,372,397	13,367,838
Other cash receipts from operating activities		88,237	96,931
Payments for operating activities			
Payments to suppliers for goods and services		(7,029,582)	(8,823,007)
Payments to and on behalf of employees		(2,165,184)	(2,433,652)
Other payments for operating activities		(351,177)	(528,214)
Interest received		43,374	11,589
Income taxes refunded (paid)		(57,963)	(108,389)
Other cash inflows (outflows)	6	(184,627)	(251,657)
Net cash flows from operating activities		1,715,475	1,331,439
Cash flows used in investing activities			
Cash flows used to obtain control of subsidiaries or other businesses		-	518
Other cash receipts from sales of equity or debt instruments of other entities		519,460	524,370
Other payments to acquire equity or debt instruments of other entities		(704,115)	(474,656)
Amounts raised from sale of property, plant and equipment		57,117	564,266
Purchases of property, plant and equipment		(1,569,749)	(1,440,445)
Amounts raised from sale of intangible assets		91	-
Purchases of intangible assets		(52,449)	(55,759)
Other cash inflows (outflows)	6	10,576	(17,399)
Net cash flow from (used in) investing activities		(1,739,069)	(899,105)
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		-	156,321
Payments to acquire or redeem the shares of the entity		-	4,661
Amounts raised from long-term loans		1,791,484	1,042,820
Amounts raised from short-term loans		205,000	603,151
Loans repayments		(1,263,793)	(2,315,120)
Payments of finance lease liabilities		(342,614)	(394,131)
Dividends paid		(35,032)	(35,362)
Interest paid		(383,648)	(368,789)
Other cash inflows (outflows)	6	(99,757)	(13,777)
Net cash flows from (used in) financing activities		(128,360)	(1,320,226)
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		(151,954)	(887,892)
Effects of variation in the exchange rate on cash and cash equivalents		(83,945)	(107,615)
Net increase (decrease) in cash and cash equivalents		(235,899)	(995,507)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	989,396	1,984,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	753,497	989,396

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

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 (Valparaiso) - 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 Cia. Ltda., Inversiones Caravia Dos y Cia. Ltda., Inversiones El Fano Dos y Cia. Ltda., Inversiones La Espasa Dos S.A., Inversiones Puerto Claro Dos Limitada, Inversiones La Espasa Dos y Cia. Ltda., Inversiones Puerto Claro Dos y Cia. Limitada and Inversiones Mineras del Cantabrico S.A. owns 25.00% 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.

2

As of December 31, 2015, the Company had a total of 1,563 registered shareholders. At that date approximately 3.91 % of the Company's share capital was in the form of ADRs and approximately 0.44% in the form of BDRs.

For the period ended December 31, 2015, the Company had an average of 51,466 employees, ending this period with a total of 50,413 employees, spread over 9,118 Administrative employees, 5,990 in Maintenance, 16,878 in Operations, 9,383 in Cabin Crew, 4,022 in Controls Crew, and 5,022 in Sales.

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

a) Participation rate

Tax No.	Company	Country of origin	Functional Currency	As December 31, 2015			As December 31, 2014		
				Direct	Indirect	Total	Direct	Indirect	Total
				%	%	%	%	%	%
96.518.860-6	Lantours Division Servicios Terrestres S.A. and Subsidiary	Chile	US\$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
96.763.900-1	Inmobiliaria Aeronautica S.A.	Chile	US\$	99.0100	0.9900	100.0000	99.0100	0.9900	100.0000
96.969.680-0	Lan Pax Group S.A. and Subsidiaries	Chile	US\$	99.8361	0.1639	100.0000	99.8361	0.1639	100.0000
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	49.0000	21.0000	70.0000
Foreign	Lan Chile Investments Limited and Subsidiary	Cayman Island	US\$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	99.8939	0.0041	99.8980
Foreign	Connecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Prime Airport Services Inc. and Subsidiary	U.S.A.	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Aircraft International Leasing Limited	U.S.A.	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Lan Cargo Overseas Limited and Subsidiaries	Bahamas	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and Subsidiaries	Chile	CLP	99.7100	0.2900	100.0000	99.7100	0.2900	100.0000
59.068.920-3	Technical Training LATAM S.A.	Chile	CLP	99.8300	0.1700	100.0000	99.8300	0.1700	100.0000
Foreign	TAM S.A. and Subsidiaries (*)	Brazil	BRL	63.0901	36.9099	100.0000	63.0901	36.9099	100.0000

(*) 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.

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b) Statement of financial position

Tax No.	Company	Statement of financial position						Net Income	
		As of December 31, 2015			As of December 31, 2014			For the periods ended December 31,	
		Assets	Liabilities	Equity	Assets	Liabilities	Equity	2015	2014
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Gain	(loss)	
96.518.860-6	Lantours Division Servicios Terrestres S.A. and Subsidiary	5,613	5,522	91	3,229	2,289	940	2,341	2,074
96.763.900-1	Inmobiliaria Aeronautica S.A.	39,302	14,832	24,470	39,920	16,854	23,066	1,404	1,906
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (*)	519,588	1,049,232	(521,907)	640,020	1,065,157	(426,016)	(35,187)	(114,511)
Foreign	Lan Perú S.A.	255,691	240,938	14,753	239,470	228,395	11,075	5,068	1,058
Foreign	Lan Chile Investments Limited and Subsidiary (*)	2,015	13	2,002	2,015	-	2,015	(13)	2,844
93.383.000-4	Lan Cargo S.A.	483,033	217,037	265,966	575,979	234,772	341,207	(74,408)	(9,966)
Foreign	Connecta Corporation	37,070	38,298	(1,228)	27,431	28,853	(1,422)	194	740
Foreign	Prime Airport Services Inc. and Subsidiary	6,683	11,180	(4,497)	18,120	22,897	(4,777)	279	107
96.951.280-7	Transporte Aéreo S.A.	331,117	122,666	208,451	367,570	147,278	220,292	5,878	(8,983)
96.634.020-7	Ediciones Ladeco América S.A.	-	-	-	-	484	(484)	-	-
Foreign	Aircraft International Leasing Limited	-	4	(4)	-	-	-	(4)	2,805
96.631.520-2	Fast Air Almacenes de Carga S.A.	8,985	4,641	4,344	9,601	3,912	5,689	1,811	923
96.631.410-9	Ladeco Cargo S.A.	297	13	284	346	13	333	(1)	6
Foreign	Laser Cargo S.R.L.	27	39	(12)	41	138	(97)	69	12
Foreign	Lan Cargo Overseas Limited and Subsidiaries (*)	62,406	43,759	15,563	60,634	46,686	12,218	3,344	(84,603)
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary	54,179	68,220	(12,601)	45,589	59,768	(12,711)	113	(4,276)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (*)	16,512	14,676	1,828	16,035	14,746	1,272	2,772	(4,546)
59.068.920-3	Technical Training LATAM S.A.	1,527	266	1,261	1,660	263	1,397	(72)	-
Foreign	TAM S.A. and Subsidiaries (*) (**)	4,711,316	4,199,223	437,953	6,817,698	5,809,529	912,634	(183,912)	171,655

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

(**) During 2014 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 250,000.

Additionally, we have proceeded to consolidate the following special purpose entities: 1) JOL (Japanese Operating Lease) created in order to finance the purchase of certain aircraft; 2) Chercán Leasing Limited created to finance the pre-delivery payments on aircraft; 3) Guanay Finance Limited created to issue a bond collateralized with future credit card receivables; 4) Private investment funds and 5) Avoceta Leasing Limited created to finance the pre-delivery payments on aircraft. These companies have been consolidated as required by IFRS 10.

All the entities controlled have been included in the consolidation.

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Changes in the scope of consolidation between January 1, 2014 and December 31, 2015, are detailed below:

- (1) Incorporation or acquisition of companies
- Lan Pax Group S.A., a subsidiary of Latam Airlines Group S. A., was the direct owner of 55% of Aerolane Líneas Aéreas Nacionales del Ecuador S.A. During 2014, Lan Pax Group S.A. obtained 100% of the economic rights in Aerolane, through its participation in the company Holdco Ecuador S.A., who is the owner of the 45% remaining of Aerolane. By this Lan Pax Group S.A. is the owner of 20% of shares with voting rights and is owner of 100% with the economic rights of Holdco Ecuador S.A.. As Latam Airlines Group S. A. was controlled Aerolane Líneas Aéreas Nacionales del Ecuador S.A. through Lan Pax Group S.A. for accounting purposes, this transaction was recorded as a transaction with non-controlling interests.
 - In November 2014, LATAM Airlines Group S.A. acquires the remaining 50% shares of Lufthansa Lan Technical Training S.A. becoming in subsidiary. Subsequently it changed the business name to Technical Training LATAM S.A.
- (2) Dissolution of companies
- In December 2014, the Company Ediciones Ladeco América S.A. subsidiary of Lan Cargo S.A. was dissolved.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation

The consolidated financial statements of LATAM Airlines Group S.A. are for the period ended December 31, 2015, and have been prepared in accordance with Standards and Instructions by Chilean Superintendency of Securities and Insurance ("SVS"), which, except as provided by its Office Circular No. 856, as detailed in the following paragraph are in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") incorporated therein and with the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC).

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 17 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

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greater degree of judgment or complexity or the areas where the assumptions and estimates are significant to the consolidated financial statements..

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In order to facilitate the 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, 2015:

	Date of issue	Mandatory Application: Annual periods beginning on or after
(i) Standards and amendments		
Amendment to IAS 19: Employee Benefits	November 2013	07/01/2014
(ii) Improvements	Date of issue	Mandatory Application: Annual periods beginning on or after
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 not yet in force for financial years beginning on January 1, 2015 and which has not been effected early adoption

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IFRS 9: Financial instruments.	December 2009	01/01/2018
IFRS 15: Revenue from contracts with customers.	May 2014	01/01/2018
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 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	To be determined
Amendment IAS 1: Presentation of Financial Statements	December 2014	01/01/2016
Amendment to IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of Interests in other entities and IAS 28: Investments in associates and joint ventures.	December 2014	01/01/2016
(i) Improvements		
Improvements to International Financial Reporting Standards (2012-2014 cycle): IFRS 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 believes that the adoption of the standards, amendments and interpretations described above but not yet effective would not have had a significant impact on the Company's consolidated financial statements in the year of their first application, except for IFRS 15 it is still under evaluation.

On January 2016 was issued the International Financial Reporting Standard 16 Leases (IFRS 16) which sets out the principles for the recognition, measurement, presentation and disclosure of leases agreements by the lessor and the lessee. This standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers.

The IFRS 16 Leases add important changes in the accounting for lessees by introducing a similar treatment to financial leases for all operating leases with a term of more than 12 months. This mean, in general terms, that an asset should be recognized for the right to use the underlying leased assets and a liability representing its present value of payments associate to the agreement. Monthly leases payments will be replace by the asset depreciation and a financial cost in the income statement. LATAM Airlines Group S.A. and subsidiaries are still assessing this standard to determinate the effect on their Financial Statements, covenants and other financial indicators.

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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: Business combination.

(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 is subsequently accounted using the equity method.

(d) Investees or associates

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

2.3. Foreign currency transactions

(a) Presentation and functional currencies

The items included in the financial statements of each of the entities of LATAM Airlines Group S.A. and Subsidiaries are valued using the currency of the main economic environment in which the

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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.

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.

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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 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 15)

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

The Loyalty program corresponds to the system of accumulation and redemption of points that has developed Multiplus S.A., subsidiary of TAM S.A.

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

(b) Computer software

Licenses for computer software acquired are capitalized on the basis of the costs incurred in acquiring them and preparing them for using the specific software. These costs are amortized over their estimated useful lives, for which the Company has been defined useful lives between 3 and 10 years.

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

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. The financial assets in this category and have been designated initial recognition through profit or loss, are classified as Cash and cash equivalents and Other current financial assets and those designated as instruments held for trading are classified as Other current and non-current financial assets.

(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 losses 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

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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.

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2.14. Capital

The common shares are classified as net equity.

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

2.15. Trade and other accounts payables

Trade payables and other accounts payable are initially recognized at fair value and subsequently at amortized cost.

2.16. Interest-bearing loans

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

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

2.17. Current and deferred taxes

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

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

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

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

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.

Except as mentioned in the previous 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.

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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 projected unit credit method, and taking into account estimates of future permanence, mortality rates and future wage increases determined on the basis of actuarial calculations. The discount rates are determined by reference to market interest-rate curves. Actuarial gains or losses are shown in other comprehensive income.

(d) Incentives

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

2.19. Provisions

Provisions are recognized when:

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

2.20. Revenue 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.

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Consistent with the foregoing, the Company presents the deferred revenues, generated by anticipated sale of flight tickets and freight services, in heading Other non - 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

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

2.23. Maintenance

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

In case of own aircraft or under financial leases, these maintenance cost are capitalized as Property, plant and equipment, while in the case of aircraft under operating leases, a liability is accrued based on the use of the main components is recognized, since a contractual obligation with the lessor to return the aircraft on agreed terms of maintenance levels exists. These are recognized as Cost of sales.

Additionally, some leases establish the obligation of the lessee to make deposits to the lessor as a guarantee of compliance with the maintenance and return conditions. These deposits, often called maintenance reserves, accumulate until a major maintenance is performed, once made, the recovery is requested to the lessor. At the end of the contract period, there is comparison between the reserves that have been paid and required return conditions, and compensation between the parties are made if applicable.

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

2.24. Environmental costs

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Company is exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The program overall risk management of the Company aims to minimize the adverse effects of financial risks affecting the company.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market factors such as: (i) fuel-price risk, (ii) exchange -rate risk, and (iii) interest -rate risk

The Company has developed policies and procedures for managing market risk, which aim to identify, quantify, monitor and mitigate the adverse effects of changes in market factors mentioned above.

For this, the Administration monitors the evolution of price levels and rates, and quantifies their risk exposures (Value at Risk), and develops and implements hedging strategies.

(i) Fuel-price risk:

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Exposition:

For the execution of its operations the Company purchases a fuel called Jet Fuel grade 54 USGC, which is subject to the fluctuations of international fuel prices.

Mitigation:

To cover the risk exposure fuel, the Company operates with derivative instruments (swaps and options) whose underlying assets may be different from Jet Fuel, being possible use West Texas Intermediate ("WTI") crude, Brent ("BRENT") crude and distillate Heating Oil ("HO"), which have a high correlation with Jet Fuel and are highly liquid.

Fuel Hedging Results:

During the period ended at December 31, 2015, the Company recognized losses of US\$ 239.4 million on fuel derivative. During the same period of 2014, the Company recognized losses of US\$ 108.7 million for the same reason.

At December 31, 2015, the market value of its fuel positions amounted to US\$ 56.4 million (negative). At December 31, 2014, this market value was US\$ 157.2 million (negative).

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Sensitivity analysis:

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

The FX derivatives are registered for as hedges of cash flow, therefore, a variation in the exchange rate has an impact on the market value of derivatives, whose changes impact on the Company's net equity.

The 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 second quarter of 2016:

Appreciation (depreciation)* of R\$/US\$ / US\$/EUR / US\$/GBP	Effect at December 31, 2015 Millions of US\$	Effect at December 31, 2014 Millions of US\$
-10%	-21.28	-9.98
+10%	+16.71	+9.98

In the case of TAM S.A, which operates with the Brazilian Real as its functional currency, a large proportion of the company's assets 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 December 31, 2015 Millions of US\$	Effect at December 31, 2014 Millions of US\$
-10%	+67.6	+69.8
+10%	-67.6	-69.8

(*) Appreciation (depreciation) of US\$

Effects of exchange rate derivatives in the Financial Statements

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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 18).

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

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

Appreciation (depreciation) of R\$/US\$	Effect at December 31, 2015 Millions of US\$	Effect at December 31, 2014 Millions of US\$
-10%	+296.41	+464.01
+10%	-242.52	-379.69

(iii) Interest -rate risk:

Exposition:

The Company is exposed to fluctuations in interest rates affecting the markets future cash flows of the assets, and current and future financial liabilities.

The Company is exposed in one portion to the variations of London Inter-Bank Offer Rate ("LIBOR") and other interest rates of less relevance are Brazilian Interbank Deposit Certificate ("ILC"), and the Interest Rate Term of Brazil ("TJLP").

Mitigation:

In order to reduce the risk of an eventual rise in interest rates, the Company has signed interest-rate swap and call option contracts. Currently a 71% (69% at December 31, 2014) of the debt is fixed to fluctuations in interest rate.

Rate Hedging Results:

At December 31, 2015, the market value of the positions of interest rate derivatives amounted to US\$ 39.8 million (negative). At end of December 2014 this market value was US\$ 60.7 million (negative).

Sensitivity analysis:

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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)	Positions as of December 31, 2015	Positions as of December 31, 2014
	effect on profit or loss before tax	effect on profit or loss before tax
	(millions of US\$)	(millions of US\$)
futures curve		
in libor 3 months		
+100 basis points	-26.7	-27.53
-100 basis points	+26.7	+27.53

Much of the current rate derivatives are registered for as hedges of cash flow, therefore, a variation in the exchange rate has an impact on the market value of derivatives, whose changes impact on the Company's net equity.

The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve, being both reasonably possible scenarios according to historical market conditions.

Increase (decrease)	Positions as of December 31, 2015	Positions as of December 31, 2014
	effect on equity	effect on equity
	(millions of US\$)	(millions of US\$)
futures curve		
in libor 3 months		
+100 basis points	+8.71	+15.33
-100 basis points	-9.02	-15.95

The assumptions of sensitivity calculation must assume that forward curves of interest rates do not necessarily reflect the real value of the compensation flows. Moreover, the structure of interest rates is dynamic over time.

During the periods presented, the Company has no registered amounts by ineffectiveness in consolidated statement of income for this kind of hedging.

(b) Credit risk

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

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

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

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

(i) Financial activities

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

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

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

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

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

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

Credit quality of financial assets

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

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

(c) Liquidity risk

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

Because of the cyclical nature of the business, the operation, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, plus the financing needs, the Company requires liquid funds, defined as cash and cash equivalents plus other short term financial assets, to meet its payment obligations.

The liquid funds, the future cash generation and the capacity to obtain additional funding, through bond issuance and banking loans, will allow the Company to obtain sufficient alternatives to face its investment and financing future commitments.

The liquid funds balance as of December 31, 2015 is US\$1,361 million, invested in short term instruments through financial high credit rating levels entities.

In addition to the liquid funds, the Company has access to short term credit line. As of December 31, 2015, LATAM has working capital credit lines with multiple banks and additionally has a US\$130 million undrawn committed credit line.

Class of liability for the analysis of liquidity risk, ordered by date of maturity as of December 31, 2015
 Debit: LATAM Airlines Group S.A. and Subsidiaries; Tax No. 16.962.290-2 Chile.

Tax No.	Creditor	Country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate	Nominal rate			
				180 days	180 to 360 days	360 to 540 days	540 to 720 days	More than 720 days								
Loans to exporters																
97.832.000-0	IBRA	Chile	US\$	100.253	-	-	-	-	100.253	100.000	-	1,60	1,60			
97.834.000-0	SANTANDER	Chile	US\$	100.163	-	-	-	-	100.163	100,000	-	1,44	1,44			
97.830.000-7	ESTADO	Chile	US\$	95.172	-	-	-	-	95.172	95,000	-	1,60	1,60			
97.004.000-0	BANCY DE CHILE	Chile	US\$	50.019	-	-	-	-	50,019	50,000	-	1,42	1,42			
97.001.000-0	BANCY DE BRASIL	Chile	US\$	70.133	-	-	-	-	70,133	70,000	-	1,16	1,16			
97.971.000-	HSBC	Chile	US\$	12.020	-	-	-	-	12,020	12,000	-	0,68	0,68			
Bank loans																
97.023.000-9	CORPFINCA	Chile	US\$	19,873	38,407	132,232	15,913	-	226,425	211,135	15,290	4,18	4,18			
0-0	BANCO HERRERA	U.S.A.	US\$	-	6,792	36,726	18,854	-	62,372	60,000	2,372	4,24	4,24			
0-0	DVB BANK SE	U.S.A.	US\$	846	430	154,061	-	-	155,337	153,514	1,823	1,67	1,67			
97.034.000-K	SANTANDER	Chile	US\$	1,053	-	226,712	-	-	227,765	226,712	1,053	2,24	2,24			
Obligations with the public																
0-0	BANK OF NEW YORK	U.S.A.	US\$	-	36,250	72,500	154,375	-	463,125	500,000	-	7,77	7,25			
Guaranteed obligations																
0-0	CRÉDIT AGRICOLE	France	US\$	31,813	92,167	210,041	55,381	12,077	602,179	389,027	213,152	1,83	1,86			
0-0	BNP PARIBAS	U.S.A.	US\$	9,899	29,975	82,094	83,427	148,964	354,299	310,197	44,102	2,29	2,22			
0-0	WELLS FARGO	U.S.A.	US\$	35,816	100,900	262,967	286,819	158,616	1,070,118	1,007,781	62,337	2,27	1,97			
0-0	WELLSINGTON FROST	U.S.A.	US\$	6,110	89,212	133,134	113,363	539,019	837,838	677,496	160,342	4,21	4,21			
0-0	CITIBANK	U.S.A.	US\$	19,478	68,761	108,007	142,409	246,273	685,908	617,062	68,846	2,40	1,84			
97.036.000-K	BANK OF AMERICA	U.S.A.	US\$	2,803	16,888	45,163	64,748	99,128	188,900	179,000	9,900	1,81	0,93			
0-0	BHMI	U.S.A.	US\$	2,992	9,033	24,541	23,214	39,919	90,712	96,914	1,802	1,32	1,32			
0-0	AFRÉDIANE	U.S.A.	US\$	1,071	4,643	12,070	12,461	29,070	50,321	49,142	1,179	1,32	1,32			
0-0	UB BANK	U.S.A.	US\$	18,443	31,824	147,994	146,709	303,400	672,770	591,029	81,741	3,09	2,81			
0-0	DEUTSCHE BANK	U.S.A.	US\$	5,523	17,881	38,181	10,719	42,284	106,608	106,608	-	3,40	3,40			
0-0	NETELL	France	US\$	115,740	41,770	113,228	106,817	249,194	1,205,197	884,823	320,374	2,08	2,08			
0-0	HSBC	U.S.A.	US\$	1,390	4,799	12,008	11,112	20,171	37,571	33,343	4,228	2,40	1,99			
0-0	PN OFFSHORE	U.S.A.	US\$	2,172	6,075	14,924	30,812	13,904	66,891	62,514	4,377	2,68	2,68			
0-0	KFV IFFB-BANK	Germany	US\$	728	2,232	5,684	4,131	1,658	14,433	13,991	444	2,45	2,45			
Other guaranteed obligations																
0-0	DVB BANK SE	U.S.A.	US\$	8,225	24,695	-	-	-	32,920	32,492	428	2,32	2,32			
Financial loans																
0-0	ING	U.S.A.	US\$	9,214	26,054	41,527	28,214	-	105,029	94,998	10,031	5,13	4,37			
0-0	CRÉDIT AGRICOLE	France	US\$	8,013	18,250	46,647	18,596	-	111,506	97,315	14,191	6,40	5,07			
0-0	CITIBANK	U.S.A.	US\$	8,011	21,216	31,216	14,161	-	74,604	67,056	7,548	3,28	3,28			
0-0	WELLS FARGO	U.S.A.	US\$	17,266	23,274	119,064	23,211	-	383,815	359,914	23,901	5,37	4,97			
0-0	BNP PARIBAS	U.S.A.	US\$	11,348	31,292	46,280	17,782	-	106,702	103,007	3,695	4,08	3,64			
0-0	WELLS FARGO	U.S.A.	US\$	44,574	64,663	64,663	64,663	-	238,763	238,763	-	3,96	3,96			
0-0	DVB BANK SE	U.S.A.	US\$	2,312	14,225	14,249	-	-	30,786	32,787	2,001	2,08	2,08			
0-0	BANK OF AMERICA	U.S.A.	US\$	703	2,710	-	-	-	3,413	2,710	703	1,81	1,81			
Other loans																
0-0	BOFING	U.S.A.	US\$	655	533	153,362	-	-	154,550	151,362	3,188	1,80	1,80			
0-0	CITIBANK (*)	U.S.A.	US\$	25,820	77,850	207,190	206,749	-	517,609	450,000	67,609	6,00	6,00			
Hedging derivatives																
-	OTROS	-	US\$	12,232	33,061	40,996	5,688	16	89,983	85,653	4,330	-	-			
Total										388,335	927,748	2,848,982	2,104,701	2,318,782	3,488,938	7,710,978

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

FINANCIAL STATEMENT



Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2015
Debtor: TAM S.A. and Subsidiaries, Tax No. 90.012.842/0001-00, Brazil

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Nominal value	Amortization	Effective rate %	Nominal rate %	
				90 days	90 days to one year	one to three years	three to five years	five years					Total
				Tu\$US	Tu\$US	Tu\$US	Tu\$US	Tu\$US	Tu\$US				
Bank loans													
0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	101	493	1.301	1.314	712	4.015	3.353	Monthly	6.01	6.01
0-E	BANK OF NEW YORK	U.S.A.	US\$	440	65,321	397,783	86,590	521,727	1,071,863	800,000	At Expiration	8.17	8.00
Financial leases													
0-E	AFS INVESTMENT IN LLC	U.S.A.	US\$	2,771	7,700	20,527	18,808	-	49,806	41,965	Monthly	1.25	1.25
0-E	ABIN FINANCIAL	U.S.A.	US\$	3,715	10,084	21,630	15,700	-	51,129	49,995	Monthly	1.41	1.41
0-E	CEBERT AGRICOLE - CIB	France	US\$	4,542	-	-	-	-	4,542	4,500	Quarterly-Semiannual	3.25	3.25
0-E	DVB BANK SE	U.S.A.	US\$	123	361	284	-	-	768	759	Monthly	1.64	1.64
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,834	11,437	9,000	-	-	24,271	21,781	Monthly	1.20	1.20
0-E	KPW PFC BANK	Germany	US\$	2,145	6,479	10,071	12,429	-	21,626	16,893	Monthly/Quarterly	1.72	1.72
0-E	NATIM	France	US\$	4,338	7,812	22,635	20,930	70,925	128,740	115,020	Quarterly-Semiannual	3.85	3.85
0-E	PC-AEROFINANCE US, INC.	U.S.A.	US\$	1,426	21,962	-	-	-	21,420	21,848	Monthly	1.70	1.70
0-E	WACAPRI LEASING S.A.	Luxemburg	US\$	520	1,346	3,199	14,667	-	19,671	18,368	Quarterly	2.00	2.00
0-E	SOCIETE GENERALE MILAN BRANCH	Italy	US\$	11,093	31,874	85,055	216,612	-	341,174	312,488	Quarterly	1.61	1.55
0-E	BANCO IRI S A	Brazil	BRL	247	846	1,210	-	-	2,343	1,728	Monthly	14.14	14.14
0-E	BT FINANCIAL SERVICE	Brazil	BRL	108	644	198	-	-	940	882	Monthly	10.02	10.02
0-E	SOCIETE GENERALE	France	BRL	104	310	626	-	-	1,060	779	Monthly	14.14	14.14
Total				37,749	158,045	840,736	887,080	993,164	1,766,611	1,435,072			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2015
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 90.862.290-2, Chile

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Nominal value	Amortization	Effective rate %	Nominal rate %	
				90 days	90 days to one year	one to three years	three to five years	Total					
				Tu\$US	Tu\$US	Tu\$US	Tu\$US	Tu\$US	Tu\$US				
Trade and other accounts payable													
-	OTHERS	OTHERS	US\$	442,720	14,369	-	-	-	456,899	456,689	-	-	
-		CLP	CLP	39,823	104	-	-	-	39,937	39,937	-	-	
-		BRL	BRL	301,269	36	-	-	-	301,285	301,285	-	-	
-		Others currencies		218,147	9,016	-	-	-	227,163	227,163	-	-	
Accounts payable to related parties current													
0-E	62 216-9006- COMINERAD REJES	Chile	CLP	10	-	-	-	-	10	10	-	-	
0-E	78 591 370-1 BETHIA S.A. Y FILIALES	Chile	CLP	5	-	-	-	-	5	5	-	-	
0-E	78 997 660-2 Vapor Fertilizante Ltda.	Chile	CLP	68	-	-	-	-	68	68	-	-	
0-E	Consultoria Administrativa Profesional	Mexico	MXN	342	-	-	-	-	342	342	-	-	
0-E	INVERSORIA AERONAUTICA ARGENTINA	Argentina	US\$	2,2	-	-	-	-	2,2	2,2	-	-	
Total				1,002,546	23,515	-	-	-	1,026,021	1,026,021			
Total consolidado				7,709,040	1,170,332	3,229,240	2,491,831	2,918,140	11,439,627	10,231,771			

FINANCIAL STATEMENT



Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2014
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 90.862.280-2 Chile

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %	
				90 days	one to three years	three to five years	five years						
				THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$				
Loans to exporters													
97.022.000-9	BINA	Chile	US\$	100,302	-	-	-	100,302	100,000	-	8.40	8.40	
97.930.000-K	SANTANDER	Chile	US\$	45,044	-	-	-	45,044	45,000	-	0.34	0.34	
97.980.000-0	ETI ADO	Chile	US\$	23,076	-	-	-	23,076	23,000	-	0.32	0.32	
97.930.000-7	ICI	Chile	US\$	100,117	-	-	-	100,117	100,000	-	0.47	0.47	
76.645.010-K	ITAU	Chile	US\$	15,022	-	-	-	15,022	15,000	-	0.65	0.65	
97.951.000-4	HSBC	Chile	US\$	12,000	-	-	-	12,000	12,000	-	0.50	0.50	
Bank loans													
97.023.000-9	COMBRANCA	Chile	1P	16,375	48,583	121,940	176,021	264,722	182,268	-	4.81	4.81	
0-E	CITIBANK	Argentina	ARS	1,298	18,300	-	-	19,598	17,442	-	31.00	31.00	
0-E	BINA	Argentina	ARS	1,713	21,401	-	-	23,116	21,000	-	30.00	30.00	
97.930.000-K	SANTANDER	U.S.A.	US\$	1,608	3,476	281,438	-	284,524	282,907	-	2.33	2.33	
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US\$	18,670	15,889	109,536	64,101	16,821	284,821	273,549	1.68	1.67	
0-E	BNP PARIBAS	U.S.A.	US\$	9,634	29,219	80,897	83,820	198,670	392,000	351,217	2.13	2.04	
0-E	WELLS FARGO	U.S.A.	US\$	31,533	106,492	282,218	236,284	698,822	1,413,709	1,302,868	2.26	1.97	
0-E	CITIBANK	U.S.A.	US\$	19,189	37,913	150,757	160,223	347,710	741,854	684,114	2.24	1.49	
97.930.000-K	SANTANDER	Chile	US\$	5,482	16,372	46,829	66,687	75,344	186,378	182,641	1.02	0.78	
0-E	BTSE	U.S.A.	US\$	2,931	8,863	24,991	24,778	52,541	113,268	107,645	1.84	1.84	
0-E	APFEE BANK	U.S.A.	US\$	1,637	4,359	11,640	12,296	26,118	38,368	33,290	1.67	1.63	
0-E	US BANK	U.S.A.	US\$	18,713	56,852	148,622	147,337	376,792	747,536	688,138	1.99	2.81	
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,244	17,621	47,600	36,100	76,969	179,868	155,279	1.23	1.23	
0-E	NATIXIS	France	US\$	11,783	35,883	99,812	98,632	209,912	465,142	434,230	1.86	1.81	
0-E	HSBC	U.S.A.	US\$	1,164	4,753	12,738	12,936	31,761	63,044	59,600	2.29	1.48	
0-E	PK AFFINANCE US, Inc.	U.S.A.	US\$	2,074	6,373	16,091	19,836	28,763	75,142	69,721	1.86	1.86	
0-E	KFV FENEBANK	Germany	US\$	696	2,124	6,948	4,987	3,771	17,226	16,988	2.19	2.19	
Other guaranteed obligations													
0-E	DVB BANK SE	U.S.A.	US\$	8,199	24,423	32,964	-	65,726	64,246	-	2.80	2.80	
0-E	CREDIT AGRICOLE	U.S.A.	US\$	7,884	21,384	62,540	-	91,798	91,137	-	1.73	1.73	
Financial leases													
0-E	ING	U.S.A.	US\$	9,137	27,520	59,821	34,067	121,184	141,879	126,328	4.34	4.33	
0-E	CREDIT AGRICOLE	France	US\$	1,043	3,406	81,122	-	20,821	29,613	-	1.20	1.20	
0-E	CITIBANK	U.S.A.	US\$	6,083	18,230	48,647	48,647	14,262	133,929	115,489	6.40	3.67	
0-E	PIEDO	U.S.A.	US\$	17,555	52,478	128,300	67,095	3,899	229,607	232,085	5.51	6.76	
0-E	BNP PARIBAS	U.S.A.	US\$	11,240	31,917	91,743	69,834	18,974	208,708	191,672	4.14	3.68	
0-E	WELLS FARGO	U.S.A.	US\$	5,604	16,764	44,765	44,613	46,394	120,102	139,252	1.90	2.53	
0-E	DVB BANK SE	U.S.A.	US\$	4,780	14,145	31,201	-	52,047	56,549	-	1.89	1.89	
0-E	US BANK	U.S.A.	US\$	726	6,247	8,655	-	6,203	11,081	-	1.80	1.80	
0-E	BANC OF AMERICA	U.S.A.	US\$	720	2,118	2,912	-	3,750	5,482	-	1.41	1.41	
Other loans													
0-E	BOJING	U.S.A.	US\$	-	4,994	180,583	-	-	185,577	179,507	At expiration	1.74	1.74
0-E	CITIBANK (*)	U.S.A.	US\$	6,825	20,175	209,730	209,778	104,832	531,360	450,000	Quarterly	6.00	6.00
Hedging derivatives													
0-E	OTHERS	-	US\$	11,702	36,761	48,647	7,311	245	98,684	93,513	-	-	-
Non - hedging derivatives													
0-E	OTHERS	-	US\$	1,002	628	-	-	-	1,630	-	-	-	-
				574,711	776,481	2,422,427	1,440,395	2,397,040	7,651,482	6,985,489			

(*) Secured loan with the future Boeing 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, 2014
Debtor: TAM S.A. and Subsidiaries, Tax No. 09.012.863001-00, Brazil

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %	
				90 days	one to three years	three to five years	five years						
				THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$				
Bank loans													
0-E	NEDERLANDSCHE CREDIEVERZEKERING MAATSCHAPPIJ	Holland	US\$	184	493	1,315	1,315	1,369	4,676	3,796	Monthly	6.01	6.01
Obligation with the public													
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	14,639	82,006	481,920	148,037	880,604	1,607,206	1,100,000	At Expiration	7.99	7.99
Financial leases													
0-E	AIS INVESTMENT IX LLC	U.S.A.	US\$	2,808	7,701	20,531	20,522	8,548	60,110	51,120	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,623	16,709	28,593	15,908	7,736	66,569	63,021	Monthly	1.42	1.42
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	2,897	32,905	-	-	35,702	35,170	Quarterly	1.00	1.00	
0-E	CREDIT AGRICOLE-CIB	France	US\$	1,653	4,683	4,514	-	10,850	10,500	Quarterly/Semiannual	3.25	3.25	
0-E	DVB BANK SE	Germany	US\$	3,247	9,470	-	-	12,717	12,300	Quarterly	2.30	2.30	
0-E	DVB BANK SE	U.S.A.	US\$	206	554	767	-	1,527	1,692	Monthly	1.08	1.08	
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	2,512	11,229	24,278	-	38,019	36,848	Monthly	1.25	1.25	
0-E	KFV FENEBANK	Germany	US\$	3,596	11,209	19,187	14,028	5,365	53,165	50,687	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	5,121	9,778	27,874	28,520	87,369	159,862	139,693	Quarterly/Semiannual	3.87	3.87
0-E	PK AFFINANCE US, INC.	U.S.A.	US\$	1,392	4,101	20,604	-	26,189	25,293	Monthly	1.75	1.75	
0-E	WALAMPI LEASING S.A.	Luemburg	US\$	575	1,528	3,539	2,852	11,226	21,736	10,962	Quarterly	2.00	2.00
0-E	SOCIETE GENERALE MILAN BRANCH	Italy	US\$	9,777	27,207	75,066	78,964	170,509	361,223	344,106	Quarterly	3.06	3.08
0-E	BANCO DE LAJE LINDEN BRASIL S.A	Brazil	BRL	8	-	-	-	8	-	Monthly	11.70	11.70	
0-E	BANCO BRL S.A	Brazil	BRL	336	1,108	3,465	40	4,909	3,817	Monthly	10.08	10.08	
0-E	BP FINANCIAL SERVICE	Brazil	BRL	276	829	1,381	-	2,486	2,229	Monthly	9.90	9.90	
0-E	SOCIETE AIR FRANCE	France	EUR	147	-	-	-	147	184	Monthly	6.82	6.82	
0-E	SOCIETE GENERALE	France	BRL	155	446	1,351	206	2,158	1,643	Monthly	11.60	11.60	
Other loans													
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	30,281	15,576	-	-	45,857	45,857	Monthly	4.23	4.23	
				83,851	231,444	714,615	310,392	1,175,326	2,515,228	1,947,868			

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Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2014
 Debito: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.290-2, Chile

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				90 days	90 days to one year	one to three years	three to five years					
				161/58	161/58	161/58	161/58	161/58				
	Trade and other accounts payables											
	OTHERS	OTHERS	US\$	529.043	26.443	-	-	555.526	555.526	-	-	-
			USD	3.207	16.449	-	-	19.656	19.656	Quarterly	211	211
			CLP	23.478	241	-	-	24.119	24.119	-	-	-
			BRL	380.746	0	-	-	380.779	380.779	-	-	-
			Others currencies	224.045	224	-	-	224.248	224.248	-	-	-
	Accounts payable to related parties current											
65.218.000-1	COMUNIDAD MUEJER	Chile	CLP	2	-	-	-	2	2	-	-	-
78.901.770-1	BETHSA S.A. AND SUBSIDIARIES	Chile	CLP	4	-	-	-	4	4	-	-	-
0-6	INVERSORA AERONAUTICA ARGENTINA	Argentina	US\$	27	-	-	-	27	27	-	-	-
	Total			1.158.609	37.413	-	-	1.196.283	1.196.316			
	Total consolidated			1.817.031	1.045.730	3.138.842	1.790.787	3.572.194	11.362.903			10.129.313

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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 2014, the Company provided US\$ 91.8 million in derivative margin guarantees, for cash and stand-by letters of credit. At December 31, 2015, the Company had provided US\$ 49.6 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 and interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to comply with the restrictions of minimum equity and (ii) to maintain an optimal capital structure.

The Company monitors its contractual obligations and the regulatory limitations in the different countries where the entities of the group are domiciled to assure they meet the limit of minimum net equity, where the most restrictive limitation is to maintain a positive net equity.

Additionally, the Company periodically monitors the short and long term cash flow projections to assure the Company has adequate sources of funding to generate the cash requirement to face its investment and funding future commitments.

The Company international credit rating is the consequence of the Company capacity to face its long terms financing commitments. As of December 31, 2015 the Company has an international long term credit rating of BB with negative outlook by Standard & Poor's, a BB- rating with stable outlook by Fitch Ratings and a Ba2 rating with stable outlook by Moody's.

3.3. Estimates of fair value.

At December 31, 2015, 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

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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.

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

	As of December 31, 2015				As of December 31, 2014			
	Fair value measurements using values considered as				Fair value measurements using values considered as			
	Fair value	Level I	Level II	Level III	Fair value	Level I	Level II	Level III
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Assets								
Cash and cash equivalents	26,600	26,600	-	-	200,753	200,753	-	-
Short-term mutual funds	26,600	26,600	-	-	200,753	200,753	-	-
Other financial assets, current	624,200	607,622	16,578	-	546,535	526,081	20,454	-
Fair value of interest rate derivatives	-	-	-	-	1	-	1	-
Fair value of fuel derivatives	6,293	-	6,293	-	1,783	-	1,783	-
Fair value of foreign currency derivatives	9,888	-	9,888	-	-	-	-	-
Interest accrued since the last payment date of Cross Currency Swap	397	-	397	-	377	-	377	-
Private investment funds	448,810	448,810	-	-	480,777	480,777	-	-
Certificate of deposit CBD	-	-	-	-	18,293	-	18,293	-
Domestic and foreign bonds	158,812	158,812	-	-	4,111	4,111	-	-
Other investments	-	-	-	-	4,193	4,193	-	-
Liabilities								
Other financial liabilities, current	134,089	-	134,089	-	227,233	-	227,233	-
Fair value of interest rate derivatives	33,518	-	33,518	-	26,395	-	26,395	-
Fair value of fuel derivatives	39,818	-	39,818	-	157,233	-	157,233	-
Fair value of foreign currency derivatives	56,424	-	56,424	-	37,242	-	37,242	-
Interest accrued since the last payment date of Currency Swap	4,329	-	4,329	-	5,173	-	5,173	-
Interest rate derivatives not recognized as a hedge	-	-	-	-	1,190	-	1,190	-
Other financial liabilities, non current	16,128	-	16,128	-	28,327	-	28,327	-
Fair value of interest rate derivatives	16,128	-	16,128	-	28,327	-	28,327	-

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Additionally, at December 31, 2015, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

	As of December 31, 2015		As of December 31, 2014	
	Book value	Fair value	Book value	Fair value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	726,897	726,897	788,643	788,643
Cash on hand	10,656	10,656	11,568	11,568
Bank balance	302,696	302,696	239,514	239,514
Overnight	267,764	267,764	154,666	154,666
Time deposits	145,781	145,781	382,895	382,895
Other financial assets, current	27,148	27,148	103,866	103,866
Other financial assets	27,148	27,148	103,866	103,866
Trade and other accounts receivable current	796,974	796,974	1,378,835	1,378,835
Accounts receivable from related entities	183	183	308	308
Other financial assets, non current	89,458	89,458	84,986	84,986
Accounts receivable	10,715	10,715	30,465	30,465
Other financial liabilities, current (*)	1,510,146	1,873,552	1,397,382	1,446,100
Trade and other accounts payables	1,483,957	1,483,957	1,489,373	1,489,373
Accounts payable to related entities	447	447	56	56
Other financial liabilities, non current (*)	7,516,257	7,382,221	7,360,685	8,319,022
Accounts payable, non-current	417,050	417,050	577,454	577,454

(*) Fair value Level II

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.

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NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and record certain assets, liabilities, revenue, expenditure, and commitments. Basically, these estimates relate to:

(a) Evaluation of possible losses through impairment of goodwill and intangible assets with an indefinite useful life

As of December 31, 2015 and 2014, goodwill amounted to ThUS\$ 2,280,575 and ThUS\$ 3,313,401, respectively, while intangible assets with an indefinite useful life comprised airport slots for ThUS\$ 816,987 and ThUS\$ 1,201,028, and Trademarks and Loyalty Program for ThUS\$ 325,293 and ThUS\$ 478,204, respectively.

At least once per year the Company verifies whether goodwill and intangible assets with an indefinite useful life have suffered any losses through impairment. For the purposes of this evaluation, the Company has identified two cash-generating units (CGUs): "Air transport" and "Multiplus loyalty and coalition program." The book value of goodwill assigned to each CGU as of December 31, 2015, amounted to ThUS\$ 1,835,088 and ThUS\$ 445,487 (ThUS\$ 2,658,503 and ThUS\$ 654,898 as of December 31, 2014).

The recoverable value of these cash-generating units (CGUs) has been determined based on calculations of their value in use. The principal assumptions used by the management include: growth rate, exchange rate, discount rate, fuel prices, and other economic assumptions. The estimation of these assumptions requires significant administrative judgment, as these variables feature inherent uncertainty; however, the assumptions used are consistent with Company's internal planning. Therefore, management evaluates and updates the estimates on an annual basis, in light of conditions that affect these variables. The mainly assumptions used as well as, the corresponding sensitivity analyses are showed in Note 15.

(b) Useful life, residual value, and impairment of property, plant, and equipment

The depreciation of assets is calculated based on the linear model, except for certain technical components depreciated on cycles and hours flown. These useful lives are reviewed on an annual basis according with the Company's future economic benefits associated with them.

Changes in circumstances such as: technological advances, business model, planned use of assets or capital strategy may render the useful life different to the lifespan estimated. When it is determined that the useful life of property, plant, and equipment must be reduced, as may occur in line with changes in planned usage of assets, the difference between the net book value and estimated recoverable value is depreciated, in accordance with the revised remaining useful life.

Residual values are estimated in accordance with the market value that these assets will have at the end of their useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, once a year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

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(c) Recoverability of deferred tax assets

Deferred taxes are calculated in accordance with the liability method, applied over temporary differences that arise between the fiscal based of assets and liabilities, and their book value. Deferred tax assets for tax losses are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company makes tax and financial projections to evaluate the realization of deferred tax asset over the course of time. Additionally, these projections are ensured to be consistent with those used to measure other long term assets. As of December 31, 2015 and 2014, the company recognized deferred tax assets amounting to ThUS\$ 376,595 and ThUS\$ 407,393, respectively, and had ceased to recognize deferred tax assets for tax losses amounting to ThUS\$ 15,513 and ThUS\$ 2,781, respectively (Note 17).

(d) Air tickets sold that are not actually used.

The Company advance sales of tickets as deferred revenue. Revenue from ticket sales is recognized in the income statement when the service is provided or when the tickets expires unused, reducing the corresponding deferred revenue. The Company evaluates monthly the probability that tickets expiry unused, based on the history of used tickets. Changes in the exchange probability would have an impact our revenue in the year in which the change occurs and in future years. As of December 31, 2015 and 2014, deferred revenue associated with air tickets sold amounted to ThUS\$ 1,223,886 and ThUS\$ 1,392,717, respectively. An hypothetical change of 1% in passenger behavior regarding to the ticket usage, - that is, if during the next 6 months after sells probability of used were 89% rather than 90%, as we consider, it would lead to a change in the expiry period from 6 to 7 months, which, as of December 31, 2015, would have an impact of up to ThUS\$ 25,000.

(e) Valuation of loyalty points and kilometers granted to loyalty program members, pending usage.

As of December 31, 2015 and 2014, the Company operated the following loyalty programs: LANPASS, TAM Fidelidade and Multiplus, with the objective of enhancing customer loyalty by offering points or kilometers (see Note 21).

When kilometers and points are redeemed for products and services other than the services provided by the Company, revenue is recognized immediately; when they are redeemed for air tickets on airlines from to LATAM Airlines Group S.A. and subsidiaries, revenue is deferred until the transport service is provided or the corresponding tickets expired.

Deferred revenue from loyalty programs at the closing date corresponds to the valuation of points and kilometers granted to loyalty program members, pending of use, and the probability to be redeemed.

According to IFRIC-13, kilometers and points value that the Company estimate are not likely to be redeemed ("breakage"), they recognize the associated value proportionally during the period in which the remaining kilometers or points are expected to be redeemed. The Company uses statistical models to estimate the breakage, based on historical redemption patterns Changes in the breakage would have a significant impact on our revenue in the year in which the change occurs and in future years.

As of December 31, 2015 and 2014, deferred revenue associated with the LANPASS loyalty program amounted to ThUS\$ 973,264 and ThUS\$ 860,835, respectively. As of December 31, 2015 a hypothetical change of 1% in the probability of usage would result in an impact of approximately ThUS\$ 30,000. Meanwhile, deferred revenue associated with the TAM Fidelidade and Multiplus loyalty programs amounted to ThUS\$ 452,264 and ThUS\$ 590,342, respectively. As of December 31, 2015 a hypothetical change of 2% in the probability of usage would result in an impact of approximately ThUS\$ 11,755.

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The fair value of kilometers is determined by the Company based in its best estimate of the price at which they have been sold in the past. A hypothetical change of 1% in the fair value of the unused kilometers would result in an impact of approximately ThUS\$ 6,396, as of December 31, 2015.

(f) Provisions needs, and their valuation when required.

Known contingencies are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Company applies professional judgment, experience, and knowledge to use available information to determine these values, in light of the specific characteristics of known risks. This process facilitates the early assessment and valuation of potential risks in individual cases or in the development of contingent eventualities.

(g) Investment in subsidiary (TAM)

The management has applied its judgment in determining that LATAM Airlines Group S.A. controls TAM S.A. and Subsidiaries, for accounting purposes, and has therefore consolidated the financial statements.

The grounds for this decision are that LATAM issued ordinary shares in exchange for the majority of circulating ordinary and preferential shares in TAM, except for those TAM shareholders who did not accept the exchange, which were subject to a squeeze out, entitling LATAM to substantially all economic benefits generated by the LATAM Group, and thus exposing it to substantially all risks relating to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the controlling shareholders of TAM, thus insuring that the shareholders and directors of TAM shall have no incentive to exercise their rights in a manner that would be beneficial to TAM but detrimental to LATAM. Furthermore, all significant actions necessary of the operation of the airlines require votes in favor by the controlling shareholders of both LATAM and TAM.

Since the integration of LAN and TAM operations, the most critical airline operations in Brazil have been managed by the CEO of TAM while global activities have been managed by the CEO of LATAM, who is in charge of the operation of the LATAM Group as a whole and reports to the LATAM Board.

The CEO of LATAM also evaluates the performance of LATAM Group executives and, together with the LATAM Board, determines compensation. Although Brazilian law currently imposes restrictions on the percentages of voting rights that may be held by foreign investors, LATAM believes that the economic basis of these agreements meets the requirements of accounting standards in force, and that the consolidation of the operations of LAN and LATAM is appropriate.

These estimates were made based on the best information available relating to the matters analyzed.

In any case, it is possible that events that may take place in the future could lead to their modification in future reporting periods, which would be made in a prospective manner.

NOTE 5 - SEGMENTAL INFORMATION

The Company 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

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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 14.2 million of members, along with being a regulated entity with a separately business and not directly related to air transport.

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(a) For the periods ended	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At December 31,		At December 31,		At December 31,		At December 31,	
	2015	2014	2015	2014	2015	2014	2015	2014
	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$
Income from ordinary activities from external customers (*)	9,278,041	11,587,224	462,004	506,277	-	-	9,740,045	12,093,501
LAN passenger	4,241,918	4,464,761	-	-	-	-	4,241,918	4,464,761
TAM passenger	3,706,692	5,409,084	462,004	506,277	-	-	4,168,696	5,915,361
Freight	1,329,431	1,713,379	-	-	-	-	1,329,431	1,713,379
Income from ordinary activities from transactions with other operating segments	462,004	506,277	67,826	106,030	(529,830)	(612,307)	-	-
Other operating income	230,823	217,390	154,958	160,255	-	-	385,781	377,645
Interest income	21,818	32,390	63,647	58,110	(10,385)	-	75,080	90,500
Interest expense	(423,742)	(430,030)	-	(4)	10,385	-	(413,357)	(430,034)
Total net interest expense	(401,924)	(397,640)	63,647	58,106	-	-	(338,277)	(339,534)
Depreciation and amortization	(923,311)	(983,847)	(11,095)	(7,417)	-	-	(934,406)	(991,264)
Material non-cash items other than depreciation and amortization	(507,921)	(468,573)	1,893	(2,350)	-	-	(506,028)	(470,923)
Disposal of fixed assets and inventory losses	(20,932)	(28,756)	-	(814)	-	-	(20,932)	(29,570)
Doubtful accounts	(18,292)	(9,637)	61	(1,522)	-	-	(17,681)	(11,159)
Exchange differences	(469,178)	(130,187)	1,282	(14)	-	-	(467,896)	(130,201)
Result of indexation units	481	7	-	-	-	-	481	7
Income (loss) attributable to owners of the parents	(356,039)	(254,151)	136,765	144,361	-	-	(219,274)	(109,790)
Participation of the entity in the income of associates	37	(2,175)	-	(4,280)	-	-	37	(6,455)
Expenses for income tax	249,090	(68,293)	(70,707)	(73,901)	-	-	178,383	(142,194)
Segment profit / (loss)	(315,497)	(152,077)	136,765	105,116	-	-	(178,732)	(76,961)
Assets of segment	16,924,200	18,759,648	1,021,111	1,773,584	(4,893)	(49,002)	18,101,418	20,484,430
Amount of non-current asset additions	1,492,281	1,522,298	-	-	-	-	1,492,281	1,522,298
Property, plant and equipment	1,439,057	1,444,402	-	-	-	-	1,439,057	1,444,402
Intangibles other than goodwill	53,224	77,896	-	-	-	-	53,224	77,896
Segment liabilities	14,700,072	15,293,668	490,076	723,438	(26,278)	(36,371)	15,163,870	15,980,735
Purchase of non-monetary assets of segment	1,622,198	1,496,204	-	-	-	-	1,622,198	1,496,204

(*) The Company does not have any interest revenue that should be recognized as income from ordinary activities by interest.

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

	For the period ended	
	At December 31,	
	2015	2014
	ThUS\$	ThUS\$
Peru	681,340	660,057
Argentina	979,324	813,472
U.S.A.	1,025,475	1,224,264
Europe	723,062	935,893
Colombia	353,007	391,678
Brazil	3,464,297	5,361,594
Ecuador	238,500	248,585
Chili	1,575,519	1,589,202
Asia Pacific and rest of Latin America	699,521	868,756
Income from ordinary activities	<u>9,740,045</u>	<u>12,093,501</u>
Other operating income	<u>385,781</u>	<u>377,645</u>

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of	As of
	December 31,	December 31,
	2015	2014
	ThUS\$	ThUS\$
Cash on hand	10,656	11,568
Bank balances	302,696	239,514
Overnight	<u>267,764</u>	<u>154,666</u>
Total Cash	<u>581,116</u>	<u>405,748</u>
Cash equivalents		
Time deposits	145,781	382,895
Mutual funds	26,600	200,753
Total cash equivalents	<u>172,381</u>	<u>583,648</u>
Total cash and cash equivalents	<u>753,497</u>	<u>989,396</u>

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Cash and cash equivalents are denominated in the following currencies:

Currency	As of	As of
	December 31,	December 31,
	2015	2014
	ThUS\$	ThUS\$
Argentine peso	18,733	44,697
Brazilian real	106,219	45,591
Chilean peso (*)	17,978	30,758
Colombian peso	14,601	17,188
Euro	10,663	9,639
US Dollar	564,214	745,214
Strong bolivar (**)	2,986	63,236
Other currencies	18,103	33,073
Total	<u>753,497</u>	<u>989,396</u>

(*) At December 31, 2015 and at December 31, 2014, the Company not maintains currency derivative contracts (forward), for conversion into dollars of investments in pesos.

(**) At December 31, 2015, the Company has decided reflect an exchange rate loss of ThUS \$ 40,968 consequence change in the SICAD rate of Venezuela (13.5 VEF/US\$) at the SIMADI rate equivalent to 198.70 VEF/US\$ of 2015. Assets that are held by the Company at December 31, 2015 is equivalent to ThUS\$ 2.986.

During 2014, 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 6.3 VEF/US\$ to 12.0 VEF/US\$, which represented a charge in results for the period 2014 by foreign exchange, equivalent amount of ThUS\$ 61,021.

The Company has done significant non-cash transactions mainly with financial leases, which are detailed in Note 16 letter (d), additional information in numeral (iv) Financial leases.

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Other inflows (outflows) of cash:

	For the periods ended December 31,	
	2015	2014
	ThUS\$	ThUS\$
Hedging margin guarantees	87,842	(64,334)
Change reservation systems	11,000	-
Currency hedge	1,802	(1,153)
Bank commissions, taxes paid and other	(5,137)	(47,724)
Tax paid on bank transaction	(7,176)	-
Guarantees	(8,439)	(86,006)
Fuel derivatives premiums	(20,932)	(7,075)
Fuel hedge	(243,587)	(45,365)
Total Other inflows (outflows) Operation flow	(184,627)	(251,657)
Recovery loans convertible into shares	20,000	-
Certificate of bank deposits	3,497	(17,399)
Tax paid on bank transaction	(12,921)	-
Total Other inflows (outflows) Investment flow	10,576	(17,399)
Credit card loan manager	3,227	23,864
Early redemption of bonds TAM 2020	(15,328)	-
Guarantees bonds emission	(26,111)	-
Aircraft Financing advances	(28,144)	8,669
Settlement of derivative contracts	(35,891)	(42,962)
Breakage	-	-
Others	2,490	(3,348)
Total Other inflows (outflows) Financing flow	(99,757)	(13,777)

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NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of December 31, 2015

Assets	Loans and receivables	Hedge derivatives	Held for trading	Initial designation	Total	
				as fair value through profit and loss		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Cash and cash equivalents	726,897	-	-	26,600	753,497	
Other financial assets, current (*)	27,148	16,578	158,812	448,810	651,348	
Trade and others						
accounts receivable, current	796,974	-	-	-	796,974	
Accounts receivable from related entities, current	183	-	-	-	183	
Other financial assets, non current (*)	88,820	-	638	-	89,458	
Accounts receivable, non current	10,715	-	-	-	10,715	
Total	1,650,737	16,578	159,450	475,410	2,302,175	
Liabilities				Other financial liabilities	Held Hedge derivatives	Total
				ThUS\$	ThUS\$	ThUS\$
Other liabilities, current				1,510,146	134,089	1,644,235
Trade and others accounts payable, current				1,483,957	-	1,483,957
Accounts payable to related entities, current				447	-	447
Other financial liabilities, non-current				7,516,257	16,128	7,532,385
Accounts payable, non-current				417,050	-	417,050
Total				10,927,857	150,217	11,078,074

(*) 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.

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As of December 31, 2014

Assets	Loans and receivables ThUS\$	Hedge derivatives ThUS\$	Held for trading ThUS\$	Initial designation	Total ThUS\$
				as fair value through profit and loss ThUS\$	
Cash and cash equivalents	788,643	-	-	200,753	989,396
Other financial assets, current (*)	103,866	2,161	41,111	503,263	650,401
Trade and others					
accounts receivable, current	1,378,835	-	-	-	1,378,835
Accounts receivable from related entities, current	308	-	-	-	308
Other financial assets, non current (*)	84,495	-	491	-	84,986
Accounts receivable, non current	30,465	-	-	-	30,465
Total	2,386,612	2,161	41,602	704,016	3,134,391
Liabilities					
		Other financial liabilities ThUS\$	Hedge derivatives ThUS\$	Held for trading ThUS\$	Total ThUS\$
Other liabilities, current		1,397,382	226,043	1,190	1,624,615
Trade and others					
accounts payable, current		1,489,373	-	-	1,489,373
Accounts payable to related entities, current		56	-	-	56
Other financial liabilities, non-current		7,360,685	28,327	-	7,389,012
Accounts payable, non-current		577,454	-	-	577,454
Total		10,824,950	254,370	1,190	11,080,510

(*) 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.

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7.2. Financial instruments by currency

a) Assets	As of	As of
	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$
Cash and cash equivalents	753,497	989,396
Argentine peso	18,733	44,697
Brazilian real	106,219	45,591
Chilean peso	17,978	30,758
Colombian peso	14,601	17,188
Euro	10,663	9,639
US Dollar	564,214	745,214
Strong bolivar	2,986	63,236
Other currencies	18,103	33,073
Other financial assets (current and non-current)	740,806	735,387
Argentine peso	157,281	45,169
Brazilian real	449,934	500,875
Chilean peso	640	26,881
Colombian peso	1,670	406
Euro	615	4,244
US Dollar	128,620	156,687
Strong bolivar	22	43
Other currencies	2,024	1,082
Trade and other accounts receivable, current	796,974	1,378,835
Argentine peso	71,438	100,798
Brazilian real	191,037	528,404
Chilean peso	57,755	131,189
Colombian peso	13,208	9,021
Euro	53,200	38,764
US Dollar	320,959	369,774
Strong bolivar	7,225	4,895
Other currencies (*)	82,152	195,990
Accounts receivable, non-current	10,715	30,465
Brazilian real	521	761
Chilean peso	5,041	5,814
US Dollar	5,000	23,734
Other currencies (*)	153	156
Accounts receivable from related entities, current	183	308
Brazilian real	-	9
Chilean peso	183	299
Total assets	2,302,175	3,134,391
Argentine peso	247,452	190,664
Brazilian real	747,711	1,075,640
Chilean peso	81,597	194,941
Colombian peso	29,479	26,615
Euro	64,478	52,647
US Dollar	1,018,793	1,295,409
Strong bolivar	10,233	68,174
Other currencies	102,432	230,301

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

b) Liabilities

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

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

	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Trade accounts receivable	685,733	1,269,433
Other accounts receivable	182,028	210,909
Total trade and other accounts receivable	867,761	1,480,342
Less: Allowance for impairment loss	(60,072)	(71,042)
Total net trade and accounts receivable	807,689	1,409,300
Less: non-current portion – accounts receivable	(10,715)	(30,465)
Trade and other accounts receivable, current	796,974	1,378,835

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 December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Fully performing	577,902	1,088,362
Matured accounts receivable, but not impaired		
Expired from 1 to 90 days	28,717	83,599
Expired from 91 to 180 days	10,995	11,521
More than 180 days overdue (*)	8,047	14,909
Total matured accounts receivable, but not impaired	47,759	110,029
Matured accounts receivable and impaired		
Judicial, pre-judicial collection and protested documents	24,304	53,956
Debtor under pre-judicial collection process and portfolio sensitization	35,768	17,086
Total matured accounts receivable and impaired	60,072	71,042
Total	685,733	1,269,433

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

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Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable:

	As of December 31, 2015	As of December 31, 2014
Currency	ThUS\$	ThUS\$
Argentine Peso	71,438	100,798
Brazilian Real	191,558	529,165
Chilean Peso	62,796	137,003
Colombian peso	13,208	9,021
Euro	53,200	38,764
US Dollar	325,959	393,508
Strong bolivar	7,225	4,895
Other currency (*)	82,305	196,146
Total	807,689	1,409,300

(*) Other currencies		
Australian Dollar	26,185	15,243
Chinese Yuan	4,282	35,626
Danish Krone	164	8,814
Pound Sterling	7,228	33,624
Indian Rupee	3,070	1,887
Japanese Yen	4,343	4,635
Norwegian Kroner	221	16,516
Swiss Franc	1,919	5,701
Korean Won	4,462	25,203
New Taiwanese Dollar	3,690	10,323
Other currencies	26,741	38,574
Total	82,305	196,146

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.

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

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Movement in the allowance for impairment loss of Trade and other accounts receivables:

Periods	Opening balance	Write-offs	(Increase)	Closing
	ThUS\$		Decrease	balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2014	(70,602)	6,864	(7,304)	(71,042)
From January 1 to December 31, 2015	(71,042)	10,120	850	(60,072)

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 December 31, 2015			As of December 31, 2014		
	Gross exposure according to balance	Gross impaired exposure	Exposure net of risk concentrations	Gross exposure according to balance	Gross impaired exposure	Exposure net of risk concentrations
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade accounts receivable	685,733	(60,072)	625,661	1,269,433	(71,042)	1,198,391
Other accounts receivable	182,028	-	182,028	210,909	-	210,909

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.

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NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

(a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	Currency	As of	As of
					December 31, 2015	December 31, 2014
					ThUS\$	ThUS\$
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	167	284
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	CLP	14	15
Foreign	TAM Aviação Executiva					
	e Taxi Aéreo S.A.	Related director	Brazil	BRL	2	-
Foreign	Prisma Fidelidade S.A.	Joint Venture	Brazil	BRL	-	9
Total current assets					<u>183</u>	<u>308</u>

(b) Accounts payable

Tax No.	Related party	Relationship	Country of origin	Currency	As of	As of
					December 31, 2015	December 31, 2014
					ThUS\$	ThUS\$
Foreign	Consultoria Administrativa Profesional S.A. de C.V.	Common matrix	Mexico	MXN	342	-
65.216.000-K	Viajes Falabella Ltda.	Related director	Chile	CLP	68	21
Foreign	Inversora Aeronáutica Argentina	Related director	Argentina	US\$	22	27
65.216.000-K	Comunidad Mujer	Related director	Chile	CLP	10	2
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	5	6
Total current liabilities					<u>447</u>	<u>56</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.

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NOTE 10 - INVENTORIES

	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS
Technical stock	192,930	229,313
Non-technical stock	31,978	36,726
Total production suppliers	<u>224,908</u>	<u>266,039</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 December 31, 2015 amounts to ThUSS 15,892 (ThUSS 2,982 as of December 31, 2014). The resulting amounts do not exceed the respective net realizable values.

As of December 31, 2015, the Company recorded ThUSS 160,030 (ThUSS 189,864 as of December 31, 2014) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of sales.

NOTE 11 - OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

	Current Assets		Non-current assets		Total Assets	
	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS
(a) Other financial assets						
Private investment funds	448,810	480,777	-	-	448,810	480,777
Deposits in guarantee (aircraft)	16,532	8,458	58,483	70,155	75,015	78,613
Certificate of deposit (CBD)	-	18,293	-	-	-	18,293
Guarantees for margins of derivatives	4,456	92,556	-	-	4,456	92,556
Other investments	-	4,193	638	491	638	4,684
Domestic and foreign bonds	158,812	4,111	-	-	158,812	4,111
Other guarantees given	6,160	2,852	30,337	14,340	36,497	17,192
Subtotal of other financial assets	<u>634,770</u>	<u>648,240</u>	<u>89,458</u>	<u>84,986</u>	<u>724,228</u>	<u>733,226</u>
(b) Hedging assets						
Interest accrued since the last payment date of Cross currency swap	397	377	-	-	397	377
Fair value of interest rate derivatives	-	1	-	-	-	1
Fair value of foreign currency derivatives (*)	9,888	-	-	-	9,888	-
Fair value of fuel price derivatives	6,293	1,783	-	-	6,293	1,783
Subtotal of hedging assets	<u>16,578</u>	<u>2,161</u>	<u>-</u>	<u>-</u>	<u>16,578</u>	<u>2,161</u>
Total Other Financial Assets	<u>651,348</u>	<u>650,401</u>	<u>89,458</u>	<u>84,986</u>	<u>740,806</u>	<u>735,387</u>

(*) The foreign currency derivatives correspond to forward and combination of options.

The types of derivative hedging contracts maintained by the Company at the end of each period are presented in Note 18.

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NOTE 12 - OTHER NON-FINANCIAL ASSETS

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

	Current assets		Non-current assets		Total Assets	
	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS	As of December 31, 2015 ThUSS	As of December 31, 2014 ThUSS
(a) Advance payments						
Aircraft leases	33,305	26,039	22,569	26,201	55,874	52,240
Aircraft insurance and other	12,408	12,160	-	-	12,408	12,160
Others	16,256	17,970	33,781	36,450	50,037	54,420
Subtotal advance payments	<u>61,969</u>	<u>56,169</u>	<u>56,350</u>	<u>62,651</u>	<u>118,319</u>	<u>118,820</u>
(b) Other assets						
Aircraft maintenance reserve (*)	99,112	31,108	64,366	123,588	163,478	154,696
Sales tax	158,134	155,795	45,061	64,652	203,195	220,447
Other taxes	4,295	3,513	-	-	4,295	3,513
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	505	599	547	453	1,052	1,052
Judicial deposits	-	-	67,980	90,450	67,980	90,450
Others	6,001	687	1,159	1,019	7,160	1,706
Subtotal other assets	<u>268,047</u>	<u>191,702</u>	<u>179,113</u>	<u>280,162</u>	<u>447,160</u>	<u>471,864</u>
Total Other Non - Financial Assets	<u>330,016</u>	<u>247,871</u>	<u>235,463</u>	<u>342,813</u>	<u>565,479</u>	<u>590,684</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 paid periodically (usually monthly) and are contractually required to be repaid to the lessee upon the completion of the required maintenance of the leased aircraft. At the end of the lease term, any unused maintenance reserves are either returned to the Company in cash or used to offset amounts that we may owe the lessor as a maintenance adjustment.

In some cases (5 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 December 31, 2015, LATAM had ThUSS 163,478 in maintenance reserves (ThUSS 154,696 at December 31, 2014), corresponding to 9 aircraft out of a total fleet of 328 (12 aircraft out of a total fleet of 327 at December 31, 2014). All of the Company's aircraft leases containing provisions for maintenance reserves will expire fully by 2023.

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

NOTE 13 - 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

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LATAM Airlines Group S.A. and Subsidiaries. The consolidation also includes special-purpose entities.

Detail of significant subsidiaries and summarized financial information:

Name of significant subsidiary	Country of incorporation	Functional currency	Ownership	
			As of December 31, 2015	As of December 31, 2014
			%	%
Lan Perú S.A.	Peru	US\$	69.97858	69.97858
Lan Cargo S.A.	Chile	US\$	99.89803	99.89803
Lan Argentina S.A.	Argentina	ARS	94.99055	94.99055
Transporte Aéreo S.A.	Chile	US\$	99.89804	99.89804
Aerolineas Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US\$	100.00000	100.00000
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.01646	99.01646
TAM S.A.	Brazil	BRL	99.99938	99.99938

The consolidated subsidiaries do not have significant restrictions for transferring funds to controller.

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Summary financial information of significant subsidiaries

Name of significant subsidiary	Statement of financial position as of December 31, 2015						Results for the period ended December 31, 2015	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$
Lan Perú S.A.	255,691	232,547	23,144	240,938	239,521	1,417	1,078,992	5,068
Lan Cargo S.A.	483,033	159,294	323,739	217,037	147,423	69,614	278,117	(74,408)
Lan Argentina S.A.	195,756	180,558	15,198	170,384	168,126	2,258	443,317	9,432
Transporte Aéreo S.A.	331,117	41,756	289,361	122,666	44,495	78,171	324,464	5,878
Aerolineas Líneas Aéreas Nacionales del Ecuador S.A.	126,001	80,641	45,360	116,153	111,245	4,908	246,402	(1,278)
Aerovías de Integración Regional, AIRES S.A.	130,039	62,937	67,102	75,003	64,829	10,174	291,354	(34,079)
TAM S.A. (*)	4,711,316	1,350,377	3,360,939	4,199,223	1,963,400	2,235,823	4,597,611	(183,812)

Name of significant subsidiary	Statement of financial position as of December 31, 2014						Results for the period ended December 31, 2014	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$	TbUS\$
Lan Perú S.A.	239,470	214,245	25,225	228,395	226,784	1,611	1,134,289	1,058
Lan Cargo S.A.	575,979	250,174	325,805	234,772	119,111	115,661	267,578	(9,866)
Lan Argentina S.A.	233,142	206,503	26,639	201,168	198,593	2,575	439,929	(17,864)
Transporte Aéreo S.A.	367,570	80,090	287,480	147,278	59,805	87,473	364,580	(8,983)
Aerolineas Líneas Aéreas Nacionales del Ecuador S.A.	126,472	78,306	48,166	116,040	111,718	4,322	256,925	(20,193)
Aerovías de Integración Regional, AIRES S.A.	131,324	38,751	92,573	61,736	49,577	12,159	392,433	(81,033)
TAM S.A. (*)	6,817,698	1,921,316	4,896,382	5,809,529	2,279,110	3,530,419	6,628,432	171,655

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(b) Non-controlling interest

Equity	Tax No.	Country of origin	As of	As of	As of	As of
			December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
			%	%	ThUS\$	ThUS\$
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	4,426	3,323
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	974	925
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.00000	0.29000	-	5
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	3,084	1,730
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	(1,386)	195
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	29	217
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	5	5
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	12	6
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(811)	(826)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	0.98307	540	684
Transportes Aéreos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	1,256	825
Multiphas S.A.	0-E	Brazil	27.26000	27.26000	72,884	94,710
Total					81,013	101,799
Incomes	Tax No.	Country of origin	As of	As of	For the period ended	
			December 31, 2015	December 31, 2014	2015	2014
			%	%	ThUS\$	ThUS\$
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	1,521	317
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	(69)	(109)
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.00000	0.29000	-	(14)
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	1,349	396
Aerolíneas Brasileiras S.A. and Subsidiaries	0-E	Brazil	0.00000	0.00000	-	-
Aerolineas Regionales de Integración Aires S.A.	0-E	Ecuador	0.00000	0.00000	-	(5,671)
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	281	269
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	61	58
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	1	4
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	5	6
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	14	(495)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	0.98307	(335)	(797)
Transportes Aéreos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	431	(389)
Multiphas S.A.	0-E	Brazil	27.26000	27.26000	37,283	39,254
Total					40,542	32,829

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NOTE 14 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

	Classes of intangible assets (net)		Classes of intangible assets (gross)	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Airport slots	816,987	1,201,028	816,987	1,201,028
Loyalty program	272,312	400,317	272,312	400,317
Computer software	104,258	126,797	324,043	309,846
Developing software	74,887	74,050	74,887	74,050
Trademarks	52,981	77,887	52,981	77,887
Other assets	-	-	808	808
Total	1,321,425	1,880,079	1,542,018	2,063,936

Movement in Intangible assets other than goodwill:

	Computer software	Developing software	Airport slots (*)	Trademarks and loyalty program (*)	Other assets	Total
	Net	ThUS\$	ThUS\$	ThUS\$	Net	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2014	143,124	46,075	1,361,807	542,221	81	2,093,308
Additions	16,902	60,994	-	-	-	77,896
Withdrawals	(1,365)	(3,576)	-	-	-	(4,941)
Transfer software	22,351	(24,539)	-	-	-	(2,188)
Forcing exchange	(6,763)	(4,904)	(160,779)	(64,017)	-	(236,463)
Amortization	(47,452)	-	-	-	(81)	(47,533)
Closing balance as of December 31, 2014	126,797	74,050	1,201,028	478,204	-	1,880,079
Opening balance as of January 1, 2015	126,797	74,050	1,201,028	478,204	-	1,880,079
Additions	4,954	48,270	-	-	-	53,224
Withdrawals	(4,612)	(62)	-	(1)	-	(4,775)
Transfer software	28,726	(30,426)	-	-	-	(1,700)
Forcing exchange	(14,871)	(16,845)	(384,041)	(152,910)	-	(568,667)
Amortization	(36,736)	-	-	-	-	(36,736)
Closing balance as of December 31, 2015	104,258	74,887	816,987	325,293	-	1,321,425

The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs as of December 31, 2015 amounts to ThUS\$ 219,785 (ThUS\$ 183,049 as of December 31, 2014). The accumulated amortization of other identifiable intangible assets as of December 31, 2015 amounts to ThUS\$ 808 (ThUS\$ 808 as of December 31, 2014).

(*) See Note 2.5

NOTE 15 – GOODWILL

The Goodwill amount at December 31, 2015 is ThUS\$ 2,280,575 (ThUS\$ 3,313,401 at December 31, 2014). Movement of Goodwill, separated by CGU:

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	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	(421,729)	(108,686)	(530,415)
Others	44,860	-	44,860
Closing balance as of December 31, 2013	2,985,037	742,568	3,727,605
Opening balance as of January 1, 2014	2,985,037	742,568	3,727,605
Increase (decrease) due to exchange rate differences	(360,371)	(87,670)	(448,041)
Others	33,837	-	33,837
Closing balance as of December 31, 2014	2,658,503	654,898	3,313,401
Opening balance as of January 1, 2015	2,658,503	654,898	3,313,401
Increase (decrease) due to exchange rate differences	(823,415)	(209,411)	(1,032,826)
Closing balance as of December 31, 2015	1,835,088	445,487	2,280,575

The Company has two cash-generating units (CGUs), confirming the existence of two cash-generating units: "Air transportation" and, "Coalition and loyalty program Multiplus". The CGU "Air transport" considers the transport of passengers and cargo, both in the domestic markets of Chile, Peru, Argentina, Colombia, Ecuador and Brazil, and in a developed series of regional and international routes in America, Europe and Oceania, while the CGU "Coalition and loyalty program Multiplus" works with an integrated network associated companies in Brazil.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of expected cash flows, before tax, which are based on the budget approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates, which do not exceed the average rates of long-term growth. Based on growth expectation and long-term investment cycles, usually in the industry, these calculations use a pre-tax cash flow projections or ten years.

Management establish rates for annual growth, discount, inflation and exchange for each cash generating, as well as fuel prices, based on their key assumptions. The annual growth rate is based on past performance and management's expectations over market developments in each country where it operates. The discount rates used are in American Dollars for the CGU "Air transportation" and Brazilian Reals for CGU "Program coalition loyalty Multiplus", both of them before tax and reflect specific risks related to each country where the Company operates. Inflation and exchange rates are based on available data for each country and the information provided by the Central Bank of each country, and the fuel price is determined based on estimated production levels, competitive environment market in which they operate and its business strategy.

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The main assumptions used in the calculations as of December 31, 2015 and 2014 are discussed as follows:

		Air transportation CGU	Coalition and loyalty program Multiplus CGU (2)
Annual growth rate (Terminal)	%	1.5 and 2.5	4.7 and 6.4
Exchange rate (1)	RS/US\$	4.15 and 5.21	4.15 and 5.21
Discount rate based on the weighted average cost of capital (WACC)	%	10.5 and 11.5	-
Discount rate based on cost of equity (CoE)	%	-	19.0 and 23.0
Fuel Price from futures price curves commodities markets	US\$/barrel	60-70	-

(1) In line with the expectations of the Central Bank of Brazil

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

CGU's are sensitive to rates for annual growth, discount and exchanges. The sensitivity analysis included the individual impact of changes in estimates critical in determining the recoverable amounts, namely:

	Increase Maximum WACC	Increase Maximum CoE	Decrease Minimum terminal growth rate
	%	%	%
Air transportation CGU	11.5	-	1.5
Coalition and loyalty program Multiplus CGU	-	23.0	4.4

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

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NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

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

	Gross Book Value		Accumulated depreciation		Net Book Value	
	As of	As of	As of	As of	As of	As of
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS
Construction in progress	1,142,812	937,279	-	-	1,142,812	937,279
Land	45,313	57,988	-	-	45,313	57,988
Buildings	131,816	249,361	(40,325)	(82,355)	91,491	167,006
Plant and equipment	9,683,764	8,660,352	(2,392,463)	(1,770,560)	7,291,301	6,889,792
Own aircraft	9,118,396	7,531,526	(2,198,682)	(1,407,704)	6,919,714	6,123,822
Other	565,368	1,128,826	(193,781)	(362,856)	371,587	765,970
Machinery	36,569	65,832	(21,220)	(42,099)	15,349	23,733
Information technology equipment	154,093	188,208	(110,204)	(137,199)	43,889	51,009
Fixed installations and accessories	179,026	97,090	(90,068)	(53,307)	88,958	43,783
Motor vehicles	99,997	95,981	(64,047)	(53,452)	35,950	42,529
Leasehold improvements	124,307	144,230	(70,219)	(87,707)	54,088	56,523
Other property, plants and equipment	3,279,902	4,522,589	(1,150,396)	(2,019,155)	2,129,506	2,503,434
Financial leasing aircraft	3,151,405	4,365,247	(1,120,682)	(1,985,458)	2,030,723	2,379,789
Other	128,497	157,342	(29,714)	(33,697)	98,783	123,645
Total	14,877,599	15,018,910	(3,938,942)	(4,245,834)	10,938,657	10,773,076

(*) It includes pre-delivery payments to aircraft manufacturers for ThUSS 944,582 (ThUSS 816,324 as of December 31, 2014)

(**) Mainly considers rotatable and tools.

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(a) The movement in the different categories of Property, plant and equipment from January 1, 2014 to December 31, 2015 is shown below:

	Construction in progress	Land	Buildings		Plant and equipment		Information technology equipment	Fixed installations & accessories	Motor vehicles	Leasehold improvements	Other property, plant and equipment	Property, plant and equipment
			net	net	net	net						
	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS
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	29,980	3,440	16,636	1,214,262	22,239	2,190	1,586	-	154,049	1,444,402		
Disposals	-	-	-	(660,129)	(*)	(57)	-	(4)	-	(328)		(660,518)
Retirements	(705)	-	(403)	(19,663)	(205)	(230)	(53)	(50)	(14,282)	(75,390)		
Depreciation expenses	-	-	(13,980)	(431,967)	(16,889)	(8,899)	(1,041)	(19,127)	(286,033)	(777,936)		
Forcing exchange	733	(4,804)	(12,241)	(59,973)	(3,593)	(5,509)	330	-	(102,723)	(199,870)		
Other increases (decreases)	48,621	-	2,309	124,205	3,297	1,639	(597)	58,911	(189,802)	51,603		
Changes, total	78,629	(1,364)	(4,779)	146,971	4,790	(6,809)	221	39,754	(467,123)	(209,710)		
Closing balance as of December 31, 2014	937,279	57,988	167,006	6,954,089	51,009	43,783	1,965	56,523	2,503,434	10,773,076		
Opening balance as of January 1, 2015	937,279	57,988	167,006	6,954,089	51,009	43,783	1,965	56,523	2,503,434	10,773,076		
Additions	39,711	-	478	1,364,190	15,322	1,692	210	13,188	64,226	1,439,057		
Disposals	-	-	(500)	(76,675)	(*)	(27)	-	(8)	-	(11)		(77,221)
Retirements	(1,262)	-	(956)	(38,240)	(104)	(476)	(4)	-	(9,902)	(49,944)		
Depreciation expenses	-	-	(7,161)	(521,083)	(16,196)	(11,648)	(179)	(13,973)	(174,474)	(745,519)		
Forcing exchange	(912)	(11,786)	(18,243)	(129,933)	(6,126)	(13,269)	(638)	(1,659)	(252,709)	(435,300)		
Other increases (decreases)	168,016	(889)	(49,089)	(150,677)	8	68,877	308	9	(2,058)	34,508		
Changes, total	205,513	(12,675)	(75,515)	386,966	(7,120)	45,175	(440)	(2,435)	(373,928)	365,581		
Closing balance as of December 31, 2015	1,142,812	45,313	91,491	7,341,075	43,889	88,958	1,525	54,088	2,129,506	10,938,657		

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

(**) During the first half of 2015 three Airbus A340 aircraft were sold.
During the second half of 2015 seven Dash-200 aircraft were sold.
During the second half of 2015 two Airbus A319 aircraft were sold.

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(b) Composition of the fleet:

Aircraft	Model	Aircraft included in the Company's Property, plant and equipment		Operating leases		Total fleet	
		As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Boeing 767	300ER	34	34	4	4	38	38
Boeing 767	300F	8 (2)	8 (1)	3	3	11 (2)	11 (1)
Boeing 777	300ER	4	4	6	6	10	10
Boeing 777	Freighter	2 (3)	2	2	2	4 (3)	4
Boeing 787	800	6	6	4	4	10	10
Boeing 787	900	3	-	4	-	7	-
Airbus A319	100	38	40	12	12	50	52
Airbus A320	200	95	95	59	63	154	158
Airbus A321	200	26	18	10	3	36	21
Airbus A330	200	8	8	2	5	10	13
Airbus A340	300	-	3	-	-	-	3
Airbus A350	900	1	-	-	-	1	-
Bombardier	Dhc8-200	-	2	-	5	-	7
Total		225	220	106	107	331	327

(1) Two aircraft leased to FEDEX

(2) Three aircraft leased to FEDEX

(3) One aircraft leased to DHL

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

	Method	Useful life	
		minimum	maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	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. (*)	10	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\$ 745,519 (ThUS\$ 777,936 at December 31, 2014). Depreciation charges for the year are recognized in Cost of sales and administrative expenses in the consolidated statement of income.

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

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

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In the period ended December 31, 2015, direct guarantees by eight Airbus A321-200 aircraft, three Boeing 787-9 aircraft and one Airbus A350 aircraft were added. Additionally, as a result of the transfer plan fleet of TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the direct guarantee of one Airbus A320-200 aircraft was added.

Description of Property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of December 31, 2015		As of December 31, 2014	
			Existing Debt ThUS\$	Book Value ThUS\$	Existing Debt ThUS\$	Book Value ThUS\$
Wilmington Trust Company	Aircraft and engines	Airbus A321 / A350 Boeing 767 Boeing 777 / 787	374,619 907,356 712,059	478,667 1,220,541 834,567	- 1,001,311 452,622	- 1,277,357 518,788
Banco Santander S.A.	Aircraft and engines	Airbus A319 Airbus A320 Airbus A321	58,527 524,682 36,334	95,387 749,192 45,380	66,318 585,008 39,739	100,485 788,706 45,161
BNP Paribas	Aircraft and engines	Airbus A319 Airbus A320	154,828 145,506	229,798 192,957	174,714 162,304	238,103 207,881
Credit Agricole	Aircraft and engines	Airbus A319 Airbus A320 Airbus A321	37,755 115,339 50,591	84,129 214,726 97,257	55,797 157,514 60,288	121,038 219,460 63,939
JP Morgan Wells Fargo	Aircraft and engines	Boeing 777 Airbus A320	215,265 279,478	263,366 348,271	237,463 305,949	278,169 360,064
Bank of Utah	Aircraft and engines	Airbus A320	240,094	312,573	259,260	327,094
Natixis	Aircraft and engines	Airbus A320 Airbus A321	56,223 413,201	81,355 722,876	48,814 405,416	55,946 488,198
Citibank N. A.	Aircraft and engines	Airbus A320 Airbus A321	127,135 49,464	172,918 73,122	142,591 55,836	146,535 59,452
HSBC	Aircraft and engines	Airbus A320	53,583	64,241	59,005	59,342
KfW IPEX-Bank	Aircraft and engines	Airbus A320	13,593	16,838	16,088	17,516
PK AirFinance US, Inc.	Aircraft and engines	Airbus A320	62,514	48,691	69,721	70,102
Total direct guarantee			4,628,146	6,346,852	4,355,758	5,443,336

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 December 31, 2015 amounted to ThUS\$ 1,311,088 (ThUS\$ 1,626,257 at December 31, 2014). The book value of assets with indirect guarantees as of December 31, 2015 amounts to ThUS\$ 2,001,605 (ThUS\$ 2,335,135 as of December 31, 2014).

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(ii) Commitments and others

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

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Gross book value of fully depreciated property, plant and equipment still in use	129,766	138,960
Commitments for the acquisition of aircraft (*)	19,800,000	21,500,000

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

Purchase commitment of aircraft

Manufacturer	Year of delivery						Total
	2016	2017	2018	2019	2020	2021	
Airbus S.A.S.	23	24	24	10	14	13	108
A320-NEO	2	18	16	8	8	-	52
A321	15	-	-	-	-	-	15
A321-NEO	-	-	6	-	4	5	15
A350	6	6	2	2	2	8	26
The Boeing Company	4	1	4	6	-	-	15
B777	-	-	-	2	-	-	2
B787-8	-	-	-	4	-	-	4
B787-9	4	1	4	-	-	-	9
Total	27	25	28	16	14	13	123

In July 2014 the cancellation of 4 Airbus A320 was signed and changing 12 Airbus A320 aircraft for 12 Airbus A320 NEO aircraft. In December 2014 a contract was signed changing 4 Airbus A320 aircraft for 4 Airbus A320 NEO aircraft and changing 9 Airbus A321 aircraft for 9 Airbus A321 NEO aircraft. In September 2015 the change of 6 Airbus A350-900 aircraft for 6 Airbus A350-1000 aircraft was signed. Additionally, in November 2015 the change of 6 Airbus A350-900 aircraft to 6 Airbus A350-1000 aircraft was signed.

At December 31, 2015, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., 82 aircraft Airbus A320 family, with deliveries between 2016 and 2021, and 26 Airbus aircraft A350 family with delivery dates starting from 2016 remain to be received.

The approximate amount is ThUS\$ 16,300,000, according to the manufacturer's price list. Additionally, the Company has valid purchase options for 5 Airbus A350 aircraft.

In April 2015 the change of 8 Boeing 787-8 aircraft for 8 Boeing 787-8 aircraft was signed.

As of December 31, 2015, and as a result of different aircraft purchase contracts signed with The Boeing Company, a total of 13 787 Dreamliner aircraft, with delivery dates between 2016 and 2019, and two 777 with delivery expected for 2019 remain to be received.

The approximate amount, according to the manufacturer's price list, is ThUS\$ 3,500,000.

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

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		For the periods ended December 31,	
		2015	2014
Average rate of capitalization of capitalized interest costs	%	2.79	2.84
Costs of capitalized interest	ThUS\$	22,551	18,426

(iv) Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft	Model	As of	As of
			December 31, 2015	December 31, 2014
Agonandra Statutory Trust	Airbus A319	100	-	4
Agonandra Statutory Trust	Airbus A320	200	2	2
Becacina Leasing LLC	Boeing 767	300ER	1	1
Caiquen Leasing LLC	Boeing 767	300F	1	1
Cernicalo Leasing LLC	Boeing 767	300F	2	2
Chirihue Leasing Trust	Boeing 767	300F	2	2
Cisne Leasing LLC	Boeing 767	300ER	2	2
Codomiz Leasing Limited	Airbus A319	100	2	2
Conure Leasing Limited	Airbus A320	200	2	2
Flamenco Leasing LLC	Boeing 767	300ER	1	1
FLYAFI 1 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 2 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 3 S.R.L.	Boeing 777	300ER	1	1
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
Intraolo BETA Corporation (KFW)	Airbus A320	200	1	1
Julianna Leasing Limited	Airbus A320	200	2	2
Linnet Leasing Limited	Airbus A320	200	-	4
Loica Leasing Limited	Airbus A319	100	2	2
Loica Leasing Limited	Airbus A320	200	2	2
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
Pilpilten Leasing Limited	Airbus A320	200	4	-
Pochard Leasing LLC	Boeing 767	300ER	2	2
Qetro Leasing LLC	Boeing 767	300ER	3	3
SG Infrastructure Italia S.R.L.	Boeing 777	300ER	1	1
SL Aleyone LTD (Showa)	Airbus A320	200	1	1
TMF Interlease Aviation B.V.	Airbus A320	200	-	1
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
Tricahue Leasing LLC	Boeing 767	300ER	3	3
Wacapou Leasing S.A	Airbus A320	200	1	1
Total			66	71

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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 December 31, 2015 the Company had sixty six aircraft (seventy one aircraft as of December 31, 2014).

As of December 31, 2015, as a result of the transfer plan fleet of TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company reduces its number of aircraft leasing in four Airbus A319-100 and one Airbus A320-200 aircraft.

The book value of assets under financial leases as of December 31, 2015 amounts to ThUS\$ 2,030,723 (ThUS\$ 2,379,789 as of December 31, 2014).

The minimum payments under financial leases are as follows:

	As of December 31, 2015			As of December 31, 2014		
	Gross Value	Interest	Present Value	Gross Value	Interest	Present Value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
No later than one year	360,862	(47,492)	313,370	403,840	(48,197)	355,643
Between one and five years	1,003,237	(75,363)	927,874	1,121,190	(97,909)	1,023,281
Over five years	95,050	(1,406)	93,644	261,877	(6,409)	255,468
Total	1,459,149	(124,261)	1,334,888	1,786,907	(152,515)	1,634,392

NOTE 17 - CURRENT AND DEFERRED TAXES

In the period ended December 31, 2015, the income tax provision was calculated at the rate of 22.5% for the business year 2015, in accordance with the recently enacted Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

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

As LATAM Airlines Group S.A. is a public company, by default it must choose the "Partially Integrated Taxation System", unless a future Extraordinary Meeting of Shareholders of the Company agrees, by a minimum of 2/3 of the votes, to choose the "Attributed Income Taxation System". This decision must be taken at the latest in the last quarter of 2016.

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

The 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 were recorded equity in accordance

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with the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014. The total effect in equity was ThUS \$ 150,210, which is explained by 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. The net effect on the assets and liabilities by deferred tax was an increase on liabilities for ThUS\$ 145,166.

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.

(a) Current taxes

(a.1) The composition of the current tax assets is the following:

	Current assets		Non-current assets		Total assets	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provisional monthly payments (advances)	43,935	68,752	-	-	43,935	68,752
Other recoverable credits	20,080	31,956	25,629	17,663	45,709	49,619
Total current tax assets	64,015	100,708	25,629	17,663	89,644	118,371

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

	Current liabilities		Non-current liabilities		Total liabilities	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Income tax provision	19,001	16,712	-	-	19,001	16,712
Additional tax provision	377	1,177	-	-	377	1,177
Total current tax liabilities	19,378	17,889	-	-	19,378	17,889

(b) Deferred taxes

The balances of deferred tax are the following:

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Concept	Assets		Liabilities	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(14,243)	(23,675)	1,103,017	847,965
Leased assets	(25,299)	(102,457)	137,741	83,318
Amortization	(5,748)	(31,750)	92,313	128,350
Provisions	210,992	416,153	(70,028)	65,076
Revaluation of financial instruments	709	270	(7,575)	(12,536)
Tax losses	212,067	151,569	(797,715)	(571,180)
Revaluation property, plant and equipment	-	-	(4,081)	(5,999)
Intangibles	-	-	355,952	523,275
Others	(1,883)	(2,787)	1,941	(6,375)
Total	376,595	407,323	811,565	1,051,894

The balance of deferred tax assets and liabilities are composed primarily of temporary differences to be reversed in the long term.

Movements of Deferred tax assets and liabilities

(a) From January 1 to December 31, 2014

	Opening balance	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Effect from tax rate change in	Others	Ending balance
Assets/(liabilities)	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Asset (liability) ThUS\$
Depreciation	(574,997)	(74,623)	-	3,575	(225,595)	-	(871,640)
Leased assets	(193,762)	47,749	-	3,267	(43,029)	-	(185,773)
Amortization	(124,357)	(21,821)	-	1,528	(16,050)	-	(160,100)
Provisions	525,241	(99,262)	-	(53,090)	(21,812)	-	351,077
Revaluation of financial instruments	16,070	(53,675)	47,979	(1,331)	3,763	-	12,806
Tax losses (*)	551,528	147,798	-	(13,968)	163,596	(126,205)	722,749
Revaluation property, plant and equipment	18,544	(6,384)	-	(6,161)	-	-	5,999
Intangibles	(593,325)	-	-	70,050	-	-	(523,275)
Others	10,792	13,455	-	(26,200)	(6,039)	11,580	3,588
Total	(364,266)	(46,563)	47,979	(21,930)	(145,166)	(114,625)	(644,571)

(b) From January 1 to December 31, 2015

	Opening balance	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Others	Ending balance
Assets/(liabilities)	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Asset (liability) ThUS\$
Depreciation	(871,640)	(254,160)	-	8,540	-	(1,117,260)
Leased assets	(185,775)	14,932	-	7,803	-	(163,040)
Amortization	(160,100)	57,433	-	4,606	-	(98,061)
Provisions	351,077	52,845	3,911	(126,813)	-	281,020
Revaluation of financial instruments	12,806	19,760	(21,103)	(3,179)	-	8,284
Tax losses (*)	722,749	320,397	-	(33,364)	-	1,009,782
Revaluation property, plant and equipment	5,999	12,799	-	(14,717)	-	4,081
Intangibles	(523,275)	-	-	167,323	-	(355,952)
Others	3,588	46,898	-	(47,465)	(6,845)	(3,824)
Total	(644,571)	270,904	(17,192)	(37,266)	(6,845)	(434,970)

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(*) In relation to the Tax Recovery Program (REFIS), established in Law No. 11,941/09, the Provisional Measure No. 651/2014 approved by the Brazilian National Congress and signed into Law No. 13,043/14, in its Section VIII, Article 33, establishes that taxpayers that have tax debts can anticipate paying their tax debt by using tax credits related to tax loss carryforwards up to an amount of 70% of the total debt if they pay the other 30% in cash. The Company adhered to the program and paid its debt through this mechanism.

Therefore, during the business year 2014 the company TAM Linhas Aéreas S.A. decreased its liability associated with the REFIS program using its deferred tax assets related to its tax loss of ThUS \$ 126,205 at December 31, 2015, generating no effect on the outcome of tax.

Deferred tax assets not recognized:	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Tax losses	15,513	2,781
Total Deferred tax assets not recognized	15,513	2,781

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. During the business year 2015, the Company has not recognized deferred tax assets of ThUS\$ 15,513 (ThUS\$ 2,781 at December 31, 2014) according with a loss of ThUS\$ 45,628 (ThUS\$ 11,620 at December 31, 2014) to offset against future years tax benefits.

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Deferred tax expense and current income taxes:

	For the period ended December 31,	
	2015	2014
	ThUS\$	ThUS\$
Current tax expense		
Current tax expense	92,916	97,782
Adjustment to previous period's current tax	(395)	(2,151)
Total current tax expense, net	<u>92,521</u>	<u>95,631</u>
Deferred tax expense		
Deferred expense for taxes related to the creation and reversal of temporary differences	(270,904)	46,466
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	-	97
Total deferred tax expense, net	<u>(270,904)</u>	<u>46,563</u>
Income tax expense	<u>(178,383)</u>	<u>142,194</u>

Composition of income tax expense (income):

	For the period ended December 31,	
	2015	2014
	ThUS\$	ThUS\$
Current tax expense, net, foreign	89,460	92,272
Current tax expense, net, Chile	3,061	3,359
Total current tax expense, net	<u>92,521</u>	<u>95,631</u>
Deferred tax expense, net, foreign	(280,445)	168,049
Deferred tax expense, net, Chile	9,541	(121,486)
Deferred tax expense, net, total	<u>(270,904)</u>	<u>46,563</u>
Income tax expense	<u>(178,383)</u>	<u>142,194</u>

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Profit before tax by the legal tax rate in Chile (22.5% and 21% at December 31, 2015 and 2014, respectively)

	For the period ended December 31,		For the period ended December 31,	
	2015	2014	2015	2014
	ThUS\$	ThUS\$	%	%
Tax expense using the legal rate (*)	(89,472)	6,805	22.50	21.00
Tax effect of rates in other jurisdictions	(21,803)	112,563	5.48	347.37
Tax effect of non-taxable operating revenues	(106,381)	(60,960)	26.75	(188.12)
Tax effect of disallowable expenses	38,677	88,643	(9.73)	273.55
Other increases (decreases) in legal tax charge	596	(4,857)	(0.15)	(14.99)
Total adjustments to tax expense using the legal rate	<u>(88,911)</u>	<u>135,389</u>	<u>22.35</u>	<u>417.81</u>
Tax expense using the effective rate	<u>(178,383)</u>	<u>142,194</u>	<u>44.85</u>	<u>438.81</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 this law contains, the First- Category Tax rate is gradually modified from 2014 to 2018 and should be declared and paid in tax year 2015.

Thus, at December 31, 2014, the Company recognized a loss ThUS\$ 150,210 as a result of the rate increase.

Deferred taxes related to items charged to net equity:

	For the period ended December 31,	
	2015	2014
	ThUS\$	ThUS\$
Aggregate deferred taxation of components of other comprehensive income	(17,192)	40,227
Tax effect by change legal tax rate in other comprehensive income (*)	-	7,752
Aggregate deferred taxation related to items charged to net equity	(992)	(3,389)
Tax effect by change legal tax rate in net equity (*)	-	(2,708)

(*) 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.

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NOTE 18 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Current		
(a) Interest bearing loans	1,510,146	1,397,382
(b) Derivatives not recognized as a hedge	-	1,190
(c) Hedge derivatives	134,089	226,043
Total current	<u>1,644,235</u>	<u>1,624,615</u>
Non-current		
(a) Interest bearing loans	7,516,257	7,360,685
(c) Hedge derivatives	16,128	28,327
Total non-current	<u>7,532,385</u>	<u>7,389,012</u>
(a) Interest bearing loans		
Obligations with credit institutions and debt instruments:		
	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Current		
Loans to exporters	387,409	327,278
Bank loans	80,188	98,711
Guaranteed obligations	591,148	502,938
Other guaranteed obligations	32,513	31,798
Subtotal bank loans	<u>1,091,258</u>	<u>960,725</u>
Obligation with the public	10,999	21,206
Financial leases	324,859	364,514
Other loans	83,030	50,937
Total current	<u>1,510,146</u>	<u>1,397,382</u>
Non-current		
Bank loans	564,128	415,667
Guaranteed obligations	4,122,995	3,827,018
Other guaranteed obligations	-	32,492
Subtotal bank loans	<u>4,687,123</u>	<u>4,275,177</u>
Obligation with the public (1)	1,294,882	1,111,481
Financial leases	1,015,779	1,344,520
Other loans	518,473	629,507
Total non-current	<u>7,516,257</u>	<u>7,360,685</u>
Total obligations with financial institutions	<u>9,026,403</u>	<u>8,758,067</u>

(1) On June 9, 2015 LATAM Airlines Group S.A. has issued and placed on the international market under Rule 144-A and Regulation S of the securities laws of the United States of America, unsecured long-term bonds in the amount of US\$ 500,000,000, maturing 2020, interest rate of 7.25% per annum.

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As reported in the Essential Matter of May 20 and June 5, 2015, the Issuance and placement of the Bonds 144-A shall be: (i) finance the repurchase, conversion and redemption of secured long-term bonds issued by the company TAM Capital 2 Inc., under Rule 144-A and Regulation S of the securities laws of the United States of America, maturing 2020; (ii) in the event there is any remnant fund other general corporate purposes. The aforementioned bonds TAM Capital 2 Inc. were redeemed in whole (US\$ 300,000,000) through a process of exchange for new bonds dated June 9, 2015 and then the remaining bonds were redeemed by running the prepay dated June 18, 2015.

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:

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Currency		
Argentine peso	-	39,053
Brazilian real	3,387	53,410
Chilean peso (U.F.)	210,423	187,614
Euro	-	547
US Dollar	8,812,593	8,477,443
Total	<u>9,026,403</u>	<u>8,758,067</u>

FINANCIAL STATEMENT



Período que abarca los meses por término de cumplimiento al 31 de diciembre de 2015
Número de empresas de LAN Chile Airlines Group S.A. y TAM Chile S.A. 2015: 22

Tit. No.	Creditor	Creditor country	Currency	Nominal values					Accounting values					Effective rate %	Nominal rate %		
				Up to 90 days	More than 90 days to one year	More than one year to three years	More than three years to five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one year to three years	More than three years to five years	Total accounting value				
Loans to companies																	
97 012 000-4	BROU	Chile	USD	100.000	-	-	-	-	100.000	100.000	-	-	-	-	100,000	1,00	
97 014 000-4	SANTANDER	Chile	USD	100.000	-	-	-	-	100.000	100.000	-	-	-	-	100,000	1,00	
97 016 000-7	CELESDO	Chile	USD	53.000	-	-	-	-	53.000	53.000	-	-	-	-	53,000	1,05	
97 018 000-4	CELESDO	Chile	USD	50.000	-	-	-	-	50.000	50.000	-	-	-	-	50,000	1,05	
97 019 000-4	BANCO DE CHILE	Chile	USD	70.000	-	-	-	-	70.000	70.000	-	-	-	-	70,000	1,00	
97 011 000-4	BANCO DE CHILE	Chile	USD	12.000	-	-	-	-	12.000	12.000	-	-	-	-	12,000	0,88	
Bank loans																	
97 021 000-9	COFINANCIA	Chile	USD	17.611	52.893	149.187	34.774	-	211.151	18.110	52.893	149.185	34.615	-	211,012	Quarterly	4,18
04	BOBAC	USA	USD	-	7.100	27.100	19.000	-	53.200	114	7.100	27.100	19.075	-	53,814	Quarterly	4,18
04	DOB BANK SE	USA	USD	-	151.014	-	-	-	151.014	14	-	151.014	-	-	151,028	Quarterly	1,67
97 016 000-4	SANTANDER	Chile	USD	-	-	-	-	-	224.712	410	-	-	-	225,192	Quarterly	7,24	
04	BANK OF YORK	USA	USD	-	-	-	-	-	500.000	2.183	-	-	-	488,362	All Expiration	7,24	
Guaranteed obligations																	
04	CHERY AGRICOLA	France	USD	29.613	88.104	264.722	54.074	-	428.513	30.487	88.104	263.266	54.074	-	428,513	Quarterly	1,81
04	BEP FARABAS	USA	USD	6.842	20.851	70.761	33.024	-	131.478	6.241	20.851	70.761	33,024	-	131,478	Quarterly	2,20
04	WELLS FARGO	USA	USD	30.895	63.511	213.134	264.774	-	512.314	34.613	63.511	213.794	264,774	-	512,314	Quarterly	2,27
04	WELLS FARGO	USA	USD	62.284	62.161	90.849	451.151	-	646.445	1.601	62.281	451,607	451,607	-	646,445	Quarterly	4,21
04	CITIBANK	USA	USD	17.062	51.702	141.180	150.702	-	360.646	10.165	51.702	141.760	150,702	-	360,646	Quarterly	2,80
97 016 000-4	SANTANDER	Chile	USD	1.211	11.882	41.151	61.611	-	75.855	1.161	11,882	41,151	61,611	-	75,855	Quarterly	1,67
04	BIBI	USA	USD	1.714	6.126	20.841	24.887	-	33.568	2.897	6,126	21,144	24,736	-	33,568	Quarterly	1,62
04	APFAR BANK	USA	USD	1.331	4.455	13.231	14.424	-	19.441	1.474	4,454	14,484	14,484	-	19,441	Quarterly	1,72
04	USABANK	USA	USD	14.612	41.954	124.701	124.701	-	206.968	11.521	41,954	124,701	124,701	-	206,968	Quarterly	1,80
04	DEUTSCHE BANK	USA	USD	6.747	14.467	22.449	23.226	-	36.889	5.142	14,466	22,448	23,226	-	36,889	Quarterly	1,60
04	TRIMARK	France	USD	11.016	11.014	11.013	24.188	-	47.227	11.016	11,014	11,013	24,188	-	47,227	Quarterly	2,08
04	BIBI	USA	USD	1.474	4.100	11.111	11.111	-	17.796	1.474	4,100	11,111	11,111	-	17,796	Quarterly	2,08
04	PK AIRFINANCE	Germany	USD	1.482	5.446	11.175	10.744	-	18.741	1.482	5,446	11,175	10,744	-	18,741	Quarterly	2,08
04	WELLS FARGO	USA	USD	617	2.054	11.104	11.104	-	15.881	617	2,054	11,104	11,104	-	15,881	Quarterly	2,03
04	SWAP Avianca Ecuador	USA	USD	162	1.168	2.521	745	-	1.696	162	1,168	2,521	745	-	1,696	Quarterly	2,03
Other guaranteed obligations																	
04	DOB BANK SE	USA	USD	4.854	24.414	-	-	-	31,492	4.854	24,414	-	-	-	32,513	Quarterly	2,32
Financial loans																	
04	ING	USA	USD	4.108	21.191	34.888	28.831	-	98.818	4.108	21,191	34,888	28,831	-	98,818	Quarterly	1,13
04	CHERY AGRICOLA	France	USD	1.408	5.121	11.100	-	-	17,629	1.408	5,121	11,100	-	-	17,629	Quarterly	1,28
04	CITIBANK	USA	USD	14.447	14.447	41.236	34.321	-	90.451	14.447	14,447	41,236	34,321	-	90,451	Quarterly	4,00
04	TRIMARK	USA	USD	11.564	66.854	109.851	22.487	-	200.756	11.564	66,854	109,851	22,487	-	200,756	Quarterly	5,57
04	BEP FARABAS	USA	USD	9.954	39.474	81.375	21.100	-	151.903	9.954	39,474	81,375	21,100	-	151,903	Quarterly	4,00
04	WELLS FARGO	USA	USD	4.519	11.284	39.511	41.236	-	96.546	4.519	11,284	39,511	41,236	-	96,546	Quarterly	1,90
04	DOB BANK SE	USA	USD	4.247	11.473	14.127	-	-	31,241	4.247	11,473	14,127	-	-	31,241	Quarterly	2,06
04	DOB BANK SE	USA	USD	474	2.098	-	-	-	2,776	474	2,098	-	-	-	2,776	Monthly	1,16
Other loans																	
04	BOBAC	USA	USD	-	-	-	-	-	151,362	-	-	-	-	-	151,362	All Expiration	1,80
04	CITIBANK (*)	USA	USD	36.661	46.221	174.170	184.210	-	441.062	36.661	46,221	174,170	184,210	-	441,062	Quarterly	4,00
04	Total			411.880	724.027	2.221.151	1.892.924	-	5.215.717	441.878	724,027	2,221,151	1,892,924	-	5.215,717		

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

Período que abarca los meses por término de cumplimiento al 31 de diciembre de 2015
Obligaciones con el público

Tit. No.	Creditor	Creditor country	Currency	Nominal values					Accounting values					Effective rate %	Nominal rate %			
				Up to 90 days	More than 90 days to one year	More than one year to three years	More than three years to five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one year to three years	More than three years to five years	Total accounting value					
Financial liabilities																		
04	NIERLANDSE CREDITVERZEKERING MAATSCHAPPIJ	Holland	USD	105	114	1.001	1.342	-	489	3.513	132	174	1.001	1.342	489	3,578	Monthly	4,01
Obligaciones con el público																		
04	THE BANK OF NEW YORK	USA	USD	-	-	-	-	-	500.000	5.264	1.100	381.522	1.571	981.027	814,514	All Expiration	4,17	
Administrative Guarantees																		
04	ADRIANOVENETOLIC	USA	USD	1.470	4.865	17.740	17.908	-	41,968	2.176	6,845	15,549	17,908	-	41,968	Monthly	1,21	
04	ADRIANOVENETOLIC	USA	USD	4.230	16.397	24.612	14.444	-	49,683	1.261	16,396	24,612	14,444	-	49,683	Monthly	1,41	
04	ADRIANOVENETOLIC	USA	USD	4.100	-	-	-	-	4,100	4,100	-	-	-	-	4,100	Quarterly	1,21	
04	ADRIANOVENETOLIC	USA	USD	139	151	242	-	-	531	139	151	242	-	-	531	Monthly	1,44	
04	GENERAL ELECTRIC CAPITAL CORPORATION	USA	USD	2.414	11.157	6.970	-	-	21,741	1.457	11,157	6,970	-	-	21,494	Monthly	1,51	
04	KAWAN BANK	Germany	USD	2.007	4.401	15.106	12.211	-	34,724	1.342	4,401	15,106	12,211	-	34,724	Monthly/Quarterly	1,71	
04	PK AIRFINANCE S.A. DE CREDITO FINANCIERO	France	USD	7.141	2.747	17.510	19.642	-	59,667	1.476	2,747	17,510	19,642	-	59,667	Quarterly	1,41	
04	PK AIRFINANCE S.A. DE CREDITO FINANCIERO	France	USD	1.276	21.740	-	-	-	1,276	1,276	21,740	-	-	-	1,276	Monthly	1,71	
04	PK AIRFINANCE S.A. DE CREDITO FINANCIERO	France	USD	143	1.100	2.417	14.247	-	18,248	143	1,100	2,417	14,247	-	18,248	Quarterly	1,60	
04	BANCO BRISA S.A. DE CREDITO FINANCIERO	Brazil	BRL	108	274	415	-	-	812	108	274	415	-	-	812	Monthly	1,48	
04	BANCO BRISA S.A. DE CREDITO FINANCIERO	Brazil	BRL	217	431	849	-	-	1,578	217	431	849	-	-	1,578	Monthly	1,41	
04	BANCO BRISA S.A. DE CREDITO FINANCIERO	Brazil	BRL	108	274	415	-	-	812	108	274	415	-	-	812	Monthly	0,92	
04	BOUROS GARIBOLDI	France	BRL	43	216	414	-	-	771	43	216	414	-	-	771	Monthly	1,14	
Total																		
				29.668	49.427	424.027	228.424	-	739.726	48.026	98.116	424.027	228,424	-	739,726			

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(b) Derivatives not recognized as a hedge

	Current liabilities		Non-current liabilities		Total derivative not recognized as a hedge	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Interest rate derivative not recognized as a hedge	-	1,190	-	-	-	1,190
Total derivatives not recognized as a hedge	-	1,190	-	-	-	1,190

(c) Hedge derivatives

	Current liabilities		Non-current liabilities		Total hedge derivatives	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Accrued interest from the last date of interest rate swap	4,329	5,173	-	-	4,329	5,173
Fair value of interest rate derivatives	33,518	26,395	16,128	28,327	49,646	54,722
Fair value of fuel derivatives	56,424	157,233	-	-	56,424	157,233
Fair value of foreign currency derivative	39,818	37,242	-	-	39,818	37,242
Total hedge derivatives	134,089	226,043	16,128	28,327	150,217	254,370

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 December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Cross currency swaps (CCS) (1)	(49,311)	(38,802)
Interest rate options (2)	-	1
Interest rate swaps (3)	(44,085)	(58,758)
Fuel collars (4)	6,293	(32,772)
Fuel swap (5)	(56,424)	(122,678)
Currency forward US\$/GBP\$ (6)	7,432	-
Currency options US\$/EUR\$ (6)	1,438	-
Currency options R\$/US\$ (6)	933	-
Currency options CLP\$/US\$ (6)	85	-

- (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.

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- (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 US\$/GBP, US\$/EUR, R\$/US\$ and CLP\$/US\$. These contracts are recorded as cash flow hedges.

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 initially 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, no hedging operations of future highly probable transaction that have not been realized have occurred.

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

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

	For the period ended December 31,	
	2015	2014
	ThUS\$	ThUS\$
Debit (credit) recognized in comprehensive income during the period	80,387	(163,993)
Debit (credit) transferred from net equity to income during the period	(151,244)	(151,520)

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NOTE 19 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Current		
(a) Trade and other accounts payables	1,025,574	1,196,100
(b) Accrued liabilities at the reporting date	458,383	293,273
Total trade and other accounts payables	<u>1,483,957</u>	<u>1,489,373</u>
(a) Trade and other accounts payable:		
	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Trade creditors	758,783	924,105
Leasing obligation	18,784	37,322
Other accounts payable	248,007	234,673
Total	<u>1,025,574</u>	<u>1,196,100</u>

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

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Boarding Fee	175,900	193,263
Aircraft Fuel	148,612	290,109
Airport charges and overflight	94,139	102,111
Handling and ground handling	88,629	55,503
Land services	80,387	47,103
Other personnel expenses	72,591	114,245
Professional services and advisory	63,302	65,445
Suppliers' technical purchases	52,160	64,799
Marketing	45,997	54,885
Services on board	32,993	24,642
Leases, maintenance and IT services	25,558	34,029
Crew	23,834	12,403
Aircraft and engines leasing	19,146	37,322
Distribution system	17,531	3,293
Achievement of goals	15,386	12,197
Maintenance	18,573	14,757
Aviation insurance	7,655	4,749
Communications	6,731	6,447
Others	36,450	58,798
Total trade and other accounts payables	<u>1,025,574</u>	<u>1,196,100</u>

(b) Liabilities accrued:

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Aircraft and engine maintenance	246,454	121,946
Accrued personnel expenses	108,058	130,382
Accounts payable to personnel (*)	81,368	16,407
Others accrued liabilities	22,503	24,538
Total accrued liabilities	<u>458,383</u>	<u>293,273</u>

(*) Profits and bonds participation (Note 22 letter b)

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NOTE 20 - OTHER PROVISIONS

Other provisions:

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provision for contingencies (1)						
Tax contingencies	1,297	320	350,418	607,371	351,715	607,691
Civil contingencies	1,476	11,870	37,555	47,355	39,031	59,225
Labor contingencies	149	221	15,648	23,064	15,797	23,285
Other	-	-	11,910	15,351	11,910	15,351
Provision for European Commission investigation (2)	-	-	8,966	9,999	8,966	9,999
Total other provisions (3)	2,922	12,411	424,497	703,140	427,419	715,551

(1) Provisions for contingencies:

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

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

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

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

- (2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.
- (3) Total other provision at December 31, 2015, and at December 31, 2014, 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.

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Movement of provisions:

	Legal claims	European Commission Investigation(*)	Total
	ThUS\$	ThUS\$	ThUS\$
	Opening balance as of January 1, 2014	1,138,754	11,349
Increase in provisions	42,792	-	42,792
Provision used	(27,597)	-	(27,597)
Difference by subsidiaries conversion	(132,092)	-	(132,092)
Reversal of provision	(315,288)	-	(315,288)
Exchange difference	(1,017)	(1,350)	(2,367)
Closing balance as of December 31, 2014	705,552	9,999	715,551
Opening balance as of January 1, 2015	705,552	9,999	715,551
Increase in provisions	54,675	-	54,675
Provision used	(19,522)	-	(19,522)
Difference by subsidiaries conversion	(220,266)	-	(220,266)
Reversal of provision	(100,740)	-	(100,740)
Exchange difference	(1,246)	(1,033)	(2,279)
Closing balance as of December 31, 2015	418,453	8,966	427,419

Accumulated balance includes the judicial deposit in guarantee, related to the "Fundo Aeroviário" (FA), in the amount of US\$ 61 million, 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. The procedural stage at December 31, 2015 is disclosed in Note 30, at case No. 2001.51.01.012530-0.

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(*) 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 that begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation done 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 you can find 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. On December 16, 2015 the Court European resolved the appeal and annulled the European Commission. This ruling may be appealed by the European Commission. The procedural stage at December 31, 2015 is disclosed in Note 30, in (ii) lawsuits received by Latam Airlines Group S.A. and Subsidiaries in European Commission Court.

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NOTE 21 - OTHER NON-FINANCIAL LIABILITIES

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Deferred revenues (*)	2,423,703	2,565,391	272,130	355,353	2,695,833	2,920,744
Sales tax	10,379	38,160	-	-	10,379	38,160
Retentions	33,125	52,567	-	-	33,125	52,567
Others taxes	11,211	18,880	-	-	11,211	18,880
Other sundry liabilities	11,615	10,388	-	48	11,615	10,436
Total other non-financial liabilities	<u>2,490,033</u>	<u>2,685,386</u>	<u>272,130</u>	<u>355,401</u>	<u>2,762,163</u>	<u>3,040,787</u>

(*) Note 2.20.

The balance comprises, mainly, deferred income by services not yet rendered and programs such as: LANPASS, TAM Fidelidade y Multiplus:

LANPASS is the frequent flyer program created by LAN to reward the preference and loyalty of 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 that are members of oneworld® and other airlines associated with the program, as well as when they buy on the stores or use the services of a vast network of companies that have an agreement with the program around the world.

Thinking on people who travel constantly, TAM 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 programs, aiming to operate activities of accumulation 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 22 - EMPLOYEE BENEFITS

	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
	Retirements payments	42,117
Resignation payments	8,858	5,556
Other obligations	14,296	32,023
Total liability for employee benefits	<u>65,271</u>	<u>74,102</u>

- (a) The movement in retirements and resignation payments and other obligations:

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	Opening balance	Increase (decrease) current service provision	Benefits paid	Change of model	Actuarial (gains) losses	Currency translation	Closing balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2014	45,666	1,507	(2,466)	29,395	-	-	74,102
From January 1 to December 31, 2015	74,102	(13,609)	(3,824)	-	14,631	(6,029)	65,271

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

Assumptions	As of December 31,	
	2015	2014
Discount rate	4.84%	4.49%
Expected rate of salary increase	4.50%	4.50%
Rate of turnover	6.16%	6.16%
Mortality rate	RV-2009	RV-2009
Inflation rate	2.92%	2.92%
Retirement age of women	60	60
Retirement age of men	65	65

The discount rate is determined by reference to free risk 20 years Central Bank of Chile BCP bond. Mortality table RV – 2009, established by Chilean Superintendency of Securities and Insurance and inflation rate performance curve of Central Bank of Chile instruments long term BCU and BCP.

The obligation is determined based on the actuarial value of the accrued cost of the benefit and it is sensibility to main actuarial assumptions used for the calculation. The Following is a sensitivity analysis based on increased (decreased) on the discount rate, increased wages, rotation and inflation:

	Effect on the liability
	As of December 31, 2015
	ThUS\$
Discount rate	
Change in the accrued liability an closing for increase in 100 p.b.	(4,669)
Change in the accrued liability an closing for decrease of 100 p.b.	5,345
Rate of wage growth	
Change in the accrued liability an closing for increase in 100 p.b.	5,309
Change in the accrued liability an closing for decrease of 100 p.b.	(4,725)

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(b) The liability for short-term:

	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Profit-sharing and bonuses (*)	<u>81,368</u>	<u>16,407</u>

(*) Accounts payables to employees (Note 19 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 periods ended December 31,	
	2015	2014
	ThUS\$	ThUS\$
Salaries and wages	1,631,320	1,656,565
Short-term employee benefits	171,366	361,328
Termination benefits	51,684	84,179
Other personnel expenses	218,435	248,030
Total	<u>2,072,805</u>	<u>2,350,102</u>

NOTE 23 - ACCOUNTS PAYABLE, NON-CURRENT

	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Aircraft and engine maintenance	371,419	506,312
Fleet financing (JOL)	35,042	59,148
Provision for vacations and bonuses	10,365	9,595
Other accounts payable	-	1,945
Other sundry liabilities	224	454
Total accounts payable, non-current	<u>417,050</u>	<u>577,454</u>

NOTE 24 - 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.

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

The capital of the Company at December 31, 2015 amounts to ThUS\$ 2,545,705 divided into 545,547,819 common stock of a same series (ThUS\$ 2,545,705, divided into 545,547,819 shares as of December 31, 2014), 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:

Movement of authorized shares	Nro. Of shares
Authorized shares as of January 1, 2014	551,847,819
No movement of authorized shares at December 31, 2014	-
Authorized shares as of December 31, 2014	551,847,819
Authorized shares as of January 1, 2015	551,847,819
No movement of authorized shares at December 31, 2015	-
Authorized shares as of December 31, 2015	551,847,819

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, 2014	535,243,229	2,395,745	(6,361)	2,389,384
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	10,304,590	156,321	-	156,321
Paid shares as of December 31, 2014	545,547,819	2,552,066	(6,361)	2,545,705
Paid shares as of January 1, 2015	545,547,819	2,552,066	(6,361)	2,545,705
No movement of authorized shares at December 31, 2015	-	-	-	-
Paid shares as of December 31, 2015	545,547,819 (3)	2,552,066	(6,361)	2,545,705

(1) Amounts reported represent only those arising from the payment of the shares subscribed.

(2) Decrease of capital by capitalization of reserves for cost of issuance and placement of shares established according to Extraordinary Shareholder's Meetings, where such decreases were authorized.

(3) At December 31, 2015, 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 33(a)).

(c) Treasury stock

(d) Reserve of share- based payments

Movement of Reserves of share- based payments:

Periods	Opening balance	Stock option plan	Deferred tax	Deferred tax by tax effect of change in legal rate (Tax reform) (*)	Closing balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2014	21,011	14,728	(3,389)	(2,708)	29,642
From January 1 to December 31, 2015	29,642	8,924	(2,919)	-	35,647

(*) 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 33.

(e) Other sundry reserves

Movement of Other sundry reserves:

Periods	Opening balance	Transactions with non-controlling interest	Legal reserves	Closing balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2014	2,657,800	(21,526)	(526)	2,635,748
From January 1 to December 31, 2015	2,635,748	-	(1,069)	2,634,679

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Balance of Other sundry reserves comprises the following:

	As of December 31, 2015 ThUS\$	As of December 31, 2014 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)	(25,891)
Cost of issuance and placement of shares	(5,264)	(5,264)
Others	(2,478)	(1,409)
Total	2,634,679	2,635,748

- (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 December 31, 2015, correspond to the loss generated by the participation of Lan Pax Group S.A. in the acquisition of shares of Aerovias de Integración Regional Aires of ThUS\$ (3,480), the acquisition of TAM S.A. of the minority holding of Aerolinhas Brasileiras S.A. of ThUS\$ (885) and the acquisition of minority interest of Aeroline S.A. by Lan Pax group S.A. through Holdco Ecuador S.A. for US\$ (21,526).

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(f) Reserves with effect in other comprehensive income.

Movement of Reserves with effect in other comprehensive income:

	Currency translation reserve ThUS\$	Cash flow hedging reserve ThUS\$	Actuarial gain or loss on defined benefit plans reserve ThUS\$	Total ThUS\$
Opening balance as of January 1, 2014	(589,991)	(34,508)	-	(624,499)
Derivatives valuation gains (losses)	-	(165,231)	-	(165,231)
Deferred tax	-	40,647	-	40,647
Tax effect on deferred tax by change legal tax rate (Tax reform)(*)	-	7,752	-	7,752
Difference by subsidiaries conversion	(603,880)	-	-	(603,880)
Closing balance as of December 31, 2014	<u>(1,193,871)</u>	<u>(151,340)</u>	<u>-</u>	<u>(1,345,211)</u>
Opening balance as of January 1, 2015	(1,193,871)	(151,340)	-	(1,345,211)
Derivatives valuation gains (losses)	-	82,730	-	82,730
Deferred tax	-	(21,900)	-	(21,900)
Actuarial reserves by employee benefit plans	-	-	(14,627)	(14,627)
Deferred tax actuarial IAS by employee benefit plans	-	-	3,910	3,910
Difference by subsidiaries conversion	(1,382,170)	-	-	(1,382,170)
Closing balance as of December 31, 2015	<u>(2,576,041)</u>	<u>(90,510)</u>	<u>(10,717)</u>	<u>(2,677,268)</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.

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(f.2) Cash flow hedging reserve

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

(f.3) Actuarial gain or loss on defined benefit plans reserve

These originate from the actuarial calculation Company has developed from December 31, 2015, the effect of a negative reserve amounting to ThUS\$ 10,717 net of deferred taxes.

(g) Retained earnings

Movement of Retained earnings:

Periods	Opening balance	Result for the period	Other increase (decreases)	Deferred tax by tax effect of change in legal tax rate (Tax reform) (*)	Closing balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2014	795,303	(109,790)	872	(150,195)	536,190
From January 1 to December 31, 2015	536,190	(219,274)	1,034	-	317,950

(*) 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 as a result of the rate increase.

(h) Dividends per share

As of December 31, 2015 and December 31, 2014, have not been paid dividends and have not been provisioned minimum mandatory dividends.

NOTE 25 - REVENUE

The detail of revenues is as follows:

	For the periods ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Passengers LAN	4,241,918	4,464,761
Passengers TAM	4,168,696	5,915,361
Cargo	1,329,431	1,713,379
Total	9,740,045	12,093,501

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NOTE 26 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the periods ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Aircraft fuel	2,651,067	4,167,030
Other rentals and landing fees	1,109,826	1,327,238
Aircraft rentals	525,134	521,384
Aircraft maintenance	437,235	452,731
Comissions	302,774	365,508
Passenger services	295,439	300,325
Other operating expenses	1,293,320	1,487,672
Total	6,614,795	8,621,888

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the period ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Depreciation (*)	897,670	943,731
Amortization	36,736	47,533
Total	934,406	991,264

(*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at December 31, 2015 is ThUS\$ 345,192 and ThUS\$ 373,183 for the period of 2014.

(c) Personnel expenses

The costs for personnel expenses are disclosed in Note 22 liability for employee benefits.

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(d) Financial costs

The detail of financial costs is as follows:

	For the period ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Bank loan interest	331,511	330,298
Financial leases	42,855	72,242
Other financial instruments	38,991	27,494
Total	<u>413,357</u>	<u>430,034</u>

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 22, 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 reviewing 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.

Additionally, in December 2015 a negative impact on results of US\$ 80 million before tax associated with the output of the rest of the A330 fleet, including engines and technical materials is recognized. These expenses are recognized at "Other Gain and Losses" of the Consolidated Statement of Income by Function.

NOTE 27 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the period ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Tours	113,225	109,788
Aircraft leasing	46,547	31,104
Customs and warehousing	25,457	22,368
Duty free	16,408	18,076
Maintenance	11,669	15,421
Other miscellaneous income	172,475	180,888
Total	<u>385,781</u>	<u>377,645</u>

NOTE 28 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

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

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

(a) Foreign currency

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

Current assets	As of	As of
	December 31,	December 31,
	2015	2014
	ThUS\$	ThUS\$
Cash and cash equivalents	182,089	213,161
Argentine peso	11,611	22,121
Brazilian real	8,810	2,365
Chilean peso	17,739	30,453
Colombian peso	1,829	1,622
Euro	10,663	9,639
U.S. dollar	112,422	50,652
Strong bolivar	2,986	63,236
Other currency	16,029	33,073
Other financial assets, current	124,042	73,030
Argentine peso	108,592	40,939
Brazilian real	1,263	-
Chilean peso	563	25,781
Colombian peso	1,167	-
Euro	1	1
U.S. dollar	12,128	6,008
Strong bolivar	22	43
Other currency	306	258

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Current assets	As of	As of
	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$
Other non - financial assets, current	126,130	59,700
Argentine peso	14,719	7,326
Brazilian real	15,387	148
Chilean peso	10,265	18,073
Colombian peso	486	1,415
Euro	1,983	2,523
U.S. dollar	61,577	5,751
Strong bolivar	-	330
Other currency	21,713	24,134
Trade and other accounts receivable, current	247,229	543,257
Argentine peso	30,563	61,291
Brazilian real	11,136	33,267
Chilean peso	55,169	128,780
Colombian peso	1,195	4,394
Euro	53,200	38,764
U.S. dollar	6,743	75,876
Strong bolivar	7,225	4,895
Other currency	81,998	195,990
Accounts receivable from related entities, current	183	299
Chilean peso	183	299
Tax current assets	22,717	21,605
Argentine peso	2,371	2,300
Brazilian real	5	2
Chilean peso	3,615	5,773
Colombian peso	1,275	1,995
Euro	14	21
U.S. dollar	1,394	467
Other currency	14,043	11,047
Total current assets	702,390	911,052
Argentine peso	167,856	133,977
Brazilian real	36,601	35,782
Chilean peso	87,534	209,159
Colombian peso	5,952	9,426
Euro	65,861	50,948
U.S. Dollar	194,264	138,754
Strong bolivar	10,233	68,504
Other currency	134,089	264,502

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Non-current assets	As of	As of
	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$
Other financial assets, non-current	20,767	36,715
Argentine peso	22	57
Brazilian real	1,478	1,050
Chilean peso	77	1,100
Colombian peso	162	203
Euro	614	4,243
U.S. dollar	16,696	29,238
Other currency	1,718	824
Other non - financial assets, non-current	60,215	18,803
Argentine peso	169	45
Brazilian real	4,454	-
U.S. dollar	50,108	1
Other currency	5,484	18,757
Accounts receivable, non-current	9,404	10,569
Chilean peso	4,251	5,413
U.S. dollar	5,000	5,000
Other currency	153	156
Deferred tax assets	2,632	2,613
Colombian peso	336	256
U.S. dollar	-	3
Other currency	2,296	2,354
Total non-current assets	93,018	68,700
Argentine peso	191	102
Brazilian real	5,932	1,050
Chilean peso	4,328	6,513
Colombian peso	498	459
Euro	614	4,243
U.S. dollar	71,804	34,242
Other currency	9,651	22,091

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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
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current liabilities				
Other financial liabilities, current	94,199	71,436	141,992	173,416
Chilean peso	54,655	15,542	52,892	42,725
Euro	-	547	-	-
U.S. dollar	39,544	55,347	89,100	130,691
Trade and other accounts				
payables, current	575,967	421,165	19,261	20,875
Argentine peso	20,772	38,740	2,072	-
Brazilian real	37,572	14,330	16	13
Chilean peso	40,219	25,017	10,951	11,502
Colombian peso	5,271	13,652	155	187
Euro	5,275	35,937	618	8,266
U.S. dollar	310,565	175,298	839	827
Strong bolivar	2,627	5,261	-	-
Other currency	153,666	112,930	4,610	80
Accounts payable to related entities, current	447	56	-	-
Chilean peso	83	29	-	-
U.S. dollar	22	27	-	-
Other currency	342	-	-	-
Other provisions, current	-	-	460	-
Chilean peso	-	-	24	-
Other currency	-	-	436	-
Tax liabilities, current	36	268	9,037	-
Argentine peso	-	-	9,036	-
Chilean peso	-	268	-	-
U.S. dollar	27	-	-	-
Other currency	9	-	1	-

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	Up to 90 days		91 days to 1 year	
	As of	As of	As of	As of
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current liabilities				
Other non-financial				
liabilities, current	40,431	126,953	1	158
Argentine peso	(2,387)	5,698	-	-
Brazilian real	4,292	959	5	46
Chilean peso	32,228	18,798	-	-
Colombian peso	145	4,670	-	-
Euro	2,706	6,400	-	-
U.S. dollar	(3,233)	44,728	(5)	111
Strong bolivar	2,490	227	-	-
Other currency	4,190	45,473	1	1
Total current liabilities	711,080	619,878	170,751	194,449
Argentine peso	18,385	44,438	11,108	-
Brazilian real	41,864	15,289	21	59
Chilean peso	127,185	59,654	63,867	54,227
Colombian peso	5,416	18,322	155	187
Euro	7,981	42,884	618	8,266
U.S. dollar	346,925	275,400	89,934	131,629
Strong bolivar	5,117	5,488	-	-
Other currency	158,207	158,403	5,048	81

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Non-current liabilities	More than 1 to 3 years		More than 3 to 5 years		More than 5 years	
	As of	As of	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,
	2015	2014	2015	2014	2015	2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other financial liabilities, non-current	561,217	625,406	328,480	171,288	571,804	1,088,218
Chilean peso	104,385	112,161	34,635	17,186	-	-
U.S. dollar	456,832	513,245	293,845	154,102	571,804	1,088,218
Accounts payable, non-current	239,029	474,955	168	2,316	8	-
Chilean peso	8,058	4,938	168	2,316	8	-
U.S. dollar	229,005	468,184	-	-	-	-
Other currency	1,966	1,833	-	-	-	-
Other provisions, non-current	27,712	16,660	-	-	68	-
Argentine peso	797	454	-	-	-	-
Brazilian real	11,009	146	-	-	-	-
Chilean peso	-	36	-	-	-	-
Colombian peso	198	-	-	-	-	-
Euro	8,966	9,999	-	-	-	-
U.S. dollar	6,742	6,025	-	-	68	-
Provisions for employees benefits, non-current	56,306	822	-	-	-	-
Chilean peso	56,306	-	-	-	-	-
U.S. dollar	-	822	-	-	-	-
Total non-current liabilities	884,264	1,117,843	328,648	173,604	571,880	1,088,218
Argentine peso	797	454	-	-	-	-
Brazilian real	11,009	146	-	-	-	-
Chilean peso	168,749	117,135	34,803	19,502	8	-
Colombian peso	198	-	-	-	-	-
Euro	8,966	9,999	-	-	-	-
U.S. dollar	692,579	988,276	293,845	154,102	571,872	1,088,218
Other currency	1,966	1,833	-	-	-	-

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General summary of foreign currency:	As of	As of
	December 31,	December 31,
	2015	2014
	ThUS\$	ThUS\$
Total assets	795,408	979,752
Argentine peso	168,047	134,079
Brazilian real	42,533	36,832
Chilean peso	91,862	215,672
Colombian peso	6,450	9,885
Euro	66,475	55,191
U.S. dollar	266,068	172,996
Strong bolivar	10,233	68,504
Other currency	143,740	286,593
Total liabilities	2,666,623	3,193,994
Argentine peso	30,290	44,892
Brazilian real	52,894	15,494
Chilean peso	394,612	250,520
Colombian peso	5,769	18,509
Euro	17,565	61,149
U.S. dollar	1,995,155	2,637,625
Strong bolivar	5,117	5,488
Other currency	165,221	160,317
Net position		
Argentine peso	137,757	89,187
Brazilian real	(10,361)	21,338
Chilean peso	(302,750)	(34,848)
Colombian peso	681	(8,624)
Euro	48,910	(5,958)
U.S. dollar	(1,729,087)	(2,464,629)
Strong bolivar	5,116	63,016
Other currency	(21,481)	126,276

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(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 December 31, 2015 and 2014, generated a debit of ThUS\$ 467,896 and ThUS\$ 130,201, respectively.

Exchange differences recognized in equity as reserves for currency translation differences for the period ended December 31, 2015 and 2014, represented a debit of ThUS\$ 1,409,439 and ThUS\$ 650,439, respectively.

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

	As of December 31, 2015	As of December 31, 2014
Argentine peso	12.97	8.55
Brazilian real	3.98	2.66
Chilean peso	710.16	606.75
Colombian peso	3,183.00	2,389.50
Euro	0.92	0.82
Strong bolivar	198.70	12.00
Australian dollar	1.37	1.22
Boliviano	6.85	6.86
Mexican peso	17.34	14.74
New Zealand dollar	1.46	1.28
Peruvian Sol	3.41	2.99
Uruguayan peso	29.88	24.25

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NOTE 29 - EARNINGS / (LOSS) PER SHARE

	For the period ended December 31,	
	2015	2014
Basic earnings / (loss) per share		
Earnings / (loss) attributable to owners of the parent (ThUS\$)	(219,274)	(109,790)
Weighted average number of shares, basic	545,547,819	545,547,819
Basic earnings / (loss) per share (US\$)	(0.40193)	(0.20125)
	For the period ended December 31,	
	2015	2014
Diluted earnings / (loss) per share		
Earnings / (loss) attributable to owners of the parent (ThUS\$)	(219,274)	(109,790)
Weighted average number of shares, basic	545,547,819	545,547,819
Weighted average number of shares, diluted	545,547,819	545,547,819
Diluted earnings / (loss) per share (US\$)	(0.40193)	(0.20125)

In the calculation of diluted earnings per share have not been considered the compensation plan disclosed in Note 33 (a.1), because the average market price is lower than the price of options and these have an effect antidilutive.

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NOTE 30 – CONTINGENCIES

Lawsuits

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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUSS
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 th , 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. Conversations have begun with the representatives in the Variglog liquidation process to work towards a settlement regarding the funds in Switzerland.	17,100 Plus interests and costs
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.	The 2nd Room of the Federal Appellate Court confirmed another extension of the precautionary measure that will expire March 16, 2016. ORSNA did not file an extraordinary remedy, so the measure is in effect through that date.	-0-

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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUSS
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.	-	Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26 th , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight. On November 9 th , 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 MUSS 8,966. This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. The European Court decided on the appeal in December 2015 and overturned the Commission's Decision. It is likely that the European Commission will appeal that decision.	On April 14 th , 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011. On May 11, 2015, we attended a hearing at which we petitioned for the vacation of the Decision based on discrepancies in the Decision between the operating section, which mentions four infringements (depending on the routes involved) but refers to Lan in only one of those four routes; and the ruling section (which mentions one single conjoint infraction). The European Court of Justice overturned the Commission's Decision on December 16, 2015 because of discrepancies. The European Commission can appeal this decision. We are waiting to see how the Commission reacts.	8,966
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery Division (England) Ovre Romerike District Court (Norway) y Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands) , Cologne Regional Court (Landgericht Köln Germany).	-	Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway, the Netherlands and Germany.	Cases are in the uncovering evidence stage.	-0-

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (* MUSS
Aerolinhas Brasileiras S.A.	Federal Justice.	0008285-53.2015.403.6105	An action seeking to quash a decision and petitioning for early protection in order to obgain a revocation of the penalty imposed by the Brazilian Competition Authority (CADE) in the investigation of cargo airlines alleged fair trade violations, in particular the fuel surcharge.	This action was filed by presenting a guaranty – policy – in order to suspend the effects of the CADE’s decision regarding the payment of the following fines: (i) ABSA: MUSS8,712; (ii) Norberto Jochmann: MUSS 167; (iii) Hernan Merino: MUSS 84; (iv) Felipe Meyer :MUSS 84. The action also deals with the affirmative obligation required by the CADE consisting of the duty to publish the condemnation in a widely circulating newspaper. This obligation had also been stayed by the court of federal justice in this process. Awaiting CADE’s statement.	8,712
Aerolinhas Brasileiras S.A.	Federal Justice.	0001872-58.2014.4.03.6105	An annulment action with a motion for preliminary injunction, was filed on 28/2014, in order to cancel tax debts of PIS, CONFINS, IPI and II, connected with the administrative process 10831.005704/2006.43.	We have been waiting since August 21, 2015 for a statement by Serasa on TAM’s letter of indemnity and a statement by the Union.	9,298
Tam Linhas Aéreas S.A.	Department of Federal Revenue of Brazil	19515.721155/2014-15	Alleged irregularities in the SAT payments for the periods 01/2009 to 12/2009, 01/2010 to 12/2010 and 01/2011 to 12/2012.	We filed a voluntary remedy on which a judgment is pending since June 30, 2015.	21,212

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (* MUSS
Tam Linhas Aéreas S.A.	Court of the Second Region.	2001.51.01.012530-0	Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to collect the Air Fund.	Unfavorable court decision in first instance. Currently expecting the ruling of the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered by MMUS 61. The disclosure prohibition motions entered by the parties against the ruling that overturned the decision did not suffice. The lawsuit was returned by the Brazilian Department of Justice (MPF) on November 23, 2015.	75,514
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil.	16643.000087/2009-36	This is an administrative proceeding arising from an infraction notice issued on 15.12.2009, by which the authority aims to request social contribution on net income (CSL) on base periods 2004 to 2007, due to the deduction of expenses related to suspended taxes.	The appeal filed by the company was dismissed in 2010. In 2012 the voluntary appeal was also dismissed. Consequently, the special appeal filed by the company awaits judgment of admissibility, since 2012.	18,550
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil.	10880.725950/2011-05	Compensation credits of the Social Integration Program (PIS) and Contribution for Social Security Financing (COFINS) Declared on DCOMPs.	The objection (<i>manifestação de inconformidade</i>) filed by the company was rejected, which is why the voluntary appeal was filed. The case was assigned to the 1st Ordinary Group of Brazil’s Administrative Council of Tax Appeals (CARF) on June 8, 2015. We are awaiting a judgment.	36,174

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUSS
Tam Linhas Aéreas S.A.	6th Rod Treasury of San Pablo.	0012938-14.2013.8.26.0053	It is an annulment action filed against the municipality of São Paulo seeking to annul the tax credit constituted by the non-payment of ISS due by INFRAERO for the provision of airport services.	The case proceedings were referred to the Superior Courts for a judgment on the complaint filed against the decision not allowing the Union's extraordinary remedy and for a judgment on the special remedy in relation to fees. A judgment is pending since December 1, 2015.	8,514
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.	We are awaiting notification of the judgment on admissibility of the special remedy filed by the Prosecutor General of the Department of the Treasury, in addition to the notification regarding the decision rendered by CARF.	8,210
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.	Adverse administrative decision to the interests of the company. Case pending before the Court of Tax Appeals (CARF) awaiting decision.	6,604
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 in STF.	6,857

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUSS
Aerovias 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 th , 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.	Through proceedings dated June 5, 2014, the First Civil Overflow Court Room became aware of the process in Colombia and sent a copy of prior pleas submitted to the plaintiffs by the defendant. In December 2015, the 1st Civil Court in the Provisional Circuit was designated the 45th Permanent Civil Court in the Circuit and the proceedings were presented to the Judge's chambers on December 7, 2015. The Federal Court ruled on March 26 th , 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. The Federal Court of Appeals, confirmed the end of the case in the U.S. on April 1 st , 2015. On October 13, 2015, Regional One petitioned that the Court reopen the case. Lan Colombia Airlines presented its arguments against this petition and a decision by the Court is pending.	12,443

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUSS
Tam Linhas Aéreas S.A.	Department of Finance of the State of Rio de Janeiro.	03.43129-0	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.	The Treasury remedy was denied on November 11, 2015. Publication of the ruling is pending.	58,300
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.722.355/2014-52	On August 19th, 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.	An administrative objection was filed on September 17th, 2014. A judgment is pending in the case before the Curitiba/PR Tax Court since December 9, 2015.	45,044
Tam Linhas Aéreas S.A.	Department of Finance of the State of Sao Paulo.	4.037.054	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.	Defense presented. First Instance court decision maintained the infraction notice in its entirety. We filed ordinary appeal, which is a waiting for judgment of the TIT / SP.	6,632
Tam Viagens S.A.	Department of Finance to the municipality of São Paulo.	67.168.795 / 67.168.833 / 67.168.884 / 67.168.906 / 67.168.914 / 67.168.965	A claim was filed alleging infraction and seeking a fine because of a deficient basis for calculation of the service tax (ISS) because the company supposedly made incorrect deductions.	We received notice of the petition on December 22, 2015. A record of our objection is pending.	44,561
Tam Linhas Aéreas S.A.	Labor Court of São Paulo.	0001734-78.2014.5.02.0045	Action filed by the Ministry of Labor, which requires compliance with legislation on breaks, extra hours and others.	Early stage. Eventually could affect the operations and control of working hours of employees.	-0-

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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUSS
TAM S.A.	Conselho Administrativo de Recursos Fiscais.	13855.720077/2014-02	Notice of an alleged infringement presented by Secretaria da Receita Federal do Brasil requiring the payment of IRPJ and CSLL, taxes related to the income earned by TAM on March, 2011, in relation of the reduction of the statute capital of Multiplus S.A.	On January 12, 2014, it was filed an appeal against the object of the notice of infringement. Currently, the company is waiting for the court judgment regarding the appeal filed in the Conselho Administrativo de Recursos Fiscais.	87,156
Tam Linhas Aereas S.A.	1º Civil Court of Comarca of Bauru/SP.	0049304-37.2009.8.26.0071/1	That action is filed by the current complainants against the defendant, TAM Linhas Aéreas S / A, for receiving compensation for material and moral damages suffered as a result of an accident with one of its aircraft, which landed on adjacent lands to the Bauru airport, impacting the vehicle of Ms. Savi Gisele Marie de Seixas Pinto and William Savi de Seixas Pinto, causing their death. The first was the wife and mother of the complainants and the second, son and brother, respectively.	Currently under the enforcement phase of the sentence.	9,563
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 and in negotiation process with the Union.	16,164
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.	-0-

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Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	Internal Revenue Service.	17502-2012-0082	Certificate of 2006 Income Tax, items where CEDT is disregarded. They are requesting certification of branch expenses, ARC fees for which no income tax withholding was made by the payer, etc. These proceedings began in 2012.	A decision was rendered on the appeal for a review and payment was made to avoid interest accrual. This payment was also contested before the Court. An accounting analysis was made on October 18, 2015 before the Court with experts on behalf of SRI and the Company. The expert opinions were issued. We are awaiting a final decision by the Court.	12,505
TAM Linhas Aéreas S.A.	Recife Labor Court.	0000070-22.2013.5.06.0017	An action filed by the Public Ministry of Labor seeking that the Company refrain from practicing moral harassment, religious, social, sexual and other discrimination.	The case is just now beginning.	-0-
TAM Linhas Aéreas S.A.	São Carlos Labor Court.	0010476-12.2015.5.15.0008	Action filed by the union seeking additional hazard pay for maintenance (MRO) employees (São Carlos).	The case is just now beginning and calculations are being prepared.	-0-

- Governmental Investigations. The investigation by the authorities of Chile and the United States of America continues, related to payments carried out by LATAM Airlines Group S.A. (before called LAN Airlines S.A.) in 2006-2007, to a consultant that advised it in the resolution of labor matters in Argentina. Mr. Ignacio Cueto has reached an agreement with the Securities and Exchange Commission ("SEC"), which includes the consent to pay a penalty in the amount of US\$75,000 and to a cease-and-desist order concerning the books and records and internal control provisions of the U.S. Securities Exchange Act of 1934. The Company, on its part, continues cooperating with the respective authorities in the aforementioned investigation. 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 December 31, 2015, 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 20.
- The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

(*) The Company has reported the amounts involved only for the lawsuits for which a reliable estimation can be made of the financial impacts and of the possibility of any recovery, pursuant to Paragraph 87 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

NOTE 31 - COMMITMENTS

(a.1) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 767F, 777F and 787 aircraft, which carry the guarantee of the United States Export-Import Bank, limits have

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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.

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

At December 31, 2015, the Company is in compliance with all indicators detailed above.

(a.2) Fleet financing commitments to receive

On May 29, 2015, The Company has issued and placed debt securities denominated Enhanced Equipment Trust Certificates ("EETC") for an aggregate amount of US \$ 1,020,823,000 (the "Certificates") in accordance with the following:

- The Certificates were issued and placed in the international market under Rule 144-A and Regulation S of the securities laws of the United States of America by pass-through trusts ("Trusts").
- This offer consists of class A Certificates that will have an interest rate of 4.2% per annum, with an estimated distribution date of November 15, 2027, while the Class B Certificates will have an interest rate of 4.5% per annum, with an estimated distribution date of November 15, 2023.
- Trusts will use the proceeds of the placement, which will initially remain in escrow with a first class bank, to acquire "Equipment Notes" to be issued by four separate special purpose entities, each of which is wholly owned by LATAM (each an "Issuer").
- Each Issuer will use the proceeds from the sale of the Equipment Notes and the initial payment under each Lease (as such term is defined below) to finance the acquisition of eleven new Airbus A321-200, two Airbus A350-900s and four Boeing 787 -9, whose deliveries are scheduled between July 2015 and March 2016 (the "Aircrafts").
- Each of the Issuers will lease the acquired Aircrafts to LATAM according to a finance lease ("Lease"), who may in turn sublease the Aircraft under operating sub-lease agreements.
- Based on the above, LATAM will recognise these Equipment Notes as debt upon delivery of each Aircraft.
- The Certificates have not been registered under the United States Securities Act of 1933 or under applicable securities laws in any other jurisdiction. Consequently, the Certificates have been offered and sold to persons reasonably believed to qualify as institutional investors in accordance with Rule 144-A under the Securities Act of the United States, and other non-residents of the United States in transactions outside the United States under Regulation S of the normative body.

At December 31, 2015 the escrow of EETC is ThUS\$ 345,127 corresponding to 6 aircraft by receive.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

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Lessor	Aircraft	As of December 31, 2015	As of December 31, 2014
Aircraft 76B-26329 Inc.	Boeing 767	1	1
Aircraft 76B-27615 Inc.	Boeing 767	1	1
Aircraft 76B-28206 Inc.	Boeing 767	1	1
Aviación Centaurus, A.I.E.	Airbus A319	3	3
Aviación Centaurus, A.I.E.	Airbus A321	1	1
Aviación Real A.I.E.	Airbus A319	1	1
Aviación Real A.I.E.	Airbus A320	1	1
Aviación Tritón A.I.E.	Airbus A319	3	3
Avolon Aerospace AOE 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
AWAS 4839 T trust	Airbus A320	-	1
AWAS 5125 T 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	1	2
Bank Of America	Airbus A321	3	-
BOC Aviation Pte. Ltd.	Airbus A320	-	1
CIT Aerospace International	Airbus A320	2	2
Delaware Trust Company, National Association	Bombardier Dhc8-200	-	5
ECAF 1 1215 DAC	Airbus A320	1	-
ECAF 1 2838 DAC	Airbus A320	1	-
ECAF 1 40589 DAC	Boeing 777	1	-
Eden Irish Aircr Leasing MSN 1459	Airbus A320	1	1
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A320	3	6
GFL Aircraft Leasing Netherlands B.V.	Airbus A320	1	1
International Lease Finance Corporation	Boeing 767	1	1
JSA Aircraft 38484, LLC	Boeing 787	1	-
Magix Airlease Limited	Airbus A320	2	2

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Lessor	Aircraft	As of December 31, 2015	As of December 31, 2014
MASL Sweden (1) AB	Airbus A320	1	1
MASL Sweden (2) AB	Airbus A320	1	1
MASL Sweden (7) AB	Airbus A320	1	1
MASL Sweden (8) AB	Airbus A320	1	1
NBB Cuckoo Co., Ltd	Airbus A321	1	-
NBB Grosbeak Co., Ltd	Airbus A321	1	-
NBB-6658 Lease Partnership	Airbus A321	1	-
NBB-6670 Lease Partnership	Airbus A321	1	-
Orix Aviation Systems Limited	Airbus A320	2	2
RBS Aerospace Limited	Airbus A320	-	6
SASOF II (J) Aviation Ireland Limited	Airbus A319	1	1
Shenton Aircraft Leasing Limited	Airbus A320	1	-
SKY HIGH V LEASING COMPANY LIMITED	Airbus A320	1	1
Sky High XXIV Leasing Company Limited	Airbus A320	5	5
Sky High XXV Leasing Company Limited	Airbus A320	2	2
SMBC Aviation Capital Limited	Airbus A320	7	2
SMBC Aviation Capital Limited	Airbus A321	2	2
Sunflower Aircraft Leasing Limited	Airbus A320	2	2
TC-CIT Aviation Ireland Limited	Airbus A320	1	1
Volito Aviation August 2007 AB	Airbus A320	2	2
Volito Aviation November 2006 AB	Airbus A320	2	2
Volito November 2006 AB	Airbus A320	2	2
Wells Fargo Bank North National Association	Airbus A319	3	3
Wells Fargo Bank North National Association	Airbus A320	2	2
Wells Fargo Bank Northwest National Association	Airbus A320	7	6
Wells Fargo Bank Northwest National Association	Airbus A330	2	5
Wells Fargo Bank Northwest National Association	Boeing 767	3	3
Wells Fargo Bank Northwest National Association	Boeing 777	6	7
Wells Fargo Bank Northwest National Association	Boeing 787	7	3
Wilmington Trust Company	Airbus A319	1	1
Zipdell Limited	Airbus A320	-	1
Total		<u>106</u>	<u>107</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 December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
No later than one year	513,748	511,624
Between one and five years	1,281,454	1,202,440
Over five years	858,095	441,419
Total	<u>2,653,297</u>	<u>2,155,483</u>

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The minimum lease payments charged to income are the following:

	For the period ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Minimum operating lease payments	525,134	521,384
Total	525,134	521,384

In 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, one Airbus A320-200 aircraft and one Boeing 787-800 aircraft were added by leasing them for a period of 8 and 12 years, respectively. On the 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, one Airbus A320-200 aircraft and one Boeing 787-800 aircraft were added by leasing them for a period of 8 and 12 years, respectively. On the other hand, one Bombardier Dhc8-400 aircraft, two Airbus A319-100 aircraft and one Boeing 767-300ER aircraft were returned. In the fourth quarter of 2014, two Airbus A320-200 aircraft and one Boeing 767-300ER aircraft were returned. On the other hand, three A340-300 aircraft and one A319-100 aircraft were bought. Additionally it was reported that the purchase option will be exercised by 2 Bombardier Dhc8-200 aircraft. Therefore, these aircraft were reclassified to the category Property, plant and equipment.

In the first quarter of 2015, two Boeing 787-9 aircraft were leased for a period of twelve years each. On the other hand, two Airbus A320-200 aircraft were returned.

In the second quarter of 2015, two Airbus A321-200 aircraft and one Boeing 787-9 aircraft were leased for a period of twelve years each. On the other hand, one Airbus A320-200 aircraft and two Airbus A330-200 aircraft were returned.

In the third quarter of 2015, five Airbus A321-200 aircraft and one Boeing 787-9 aircraft were leased for a period of twelve years each. On the other hand, one Airbus A320-200 aircraft was returned.

In the fourth quarter of 2015, one Airbus A330-200 aircraft was 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.

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At December 31, 2015 the Company has existing letters of credit related to operating leasing as follows:

Creditor Guarantee	Debtor	Type	Value ThUS\$	Release date
GE Capital Aviation Services Limited	Lan Cargo S.A.	Two letter of credit	7,530	Aug 17, 2016
GE Capital Aviation Services Limited	LATAM Airlines Group S.A.	Nine letter of credit	37,178	Jan 10, 2016
International Lease Finance Corp	LATAM Airlines Group S.A.	Four letter of credit	1,700	Feb 4, 2016
ORIX Aviation System Limited	LATAM Airlines Group S.A.	One letter of credit	3,255	Aug 31, 2016
SMBC Aviation Capital Ltd.	LATAM Airlines Group S.A.	Two letter of credit	11,133	Aug 14, 2016
Engine Lease Finance Corporation	LATAM Airlines Group S.A.	One letter of credit	4,750	Dec 8, 2016
Banc of America	LATAM Airlines Group S.A.	Three letter of credit	1,044	Sep 6, 2016
Wells Fargo Bank	LATAM Airlines Group S.A.	Eight letter of credit	13,160	Feb 9, 2016
Wells Fargo Bank	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Jul 14, 2016
CIT Aerospace International	Tam Linhas Aéreas S.A.	Three letter of credit	12,375	Oct 6, 2016
RBS Aerospace Limited	Tam Linhas Aéreas S.A.	One letter of credit	12,357	Oct 2, 2016
			<u>109,982</u>	

(c) Other commitments

At December 31, 2015 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

Creditor Guarantee	Debtor	Type	Value ThUS\$	Release date
Aena Aeropuertos S.A.	LATAM Airlines Group S.A.	Four letter of credit	2,050	Nov 14, 2016
American Alternative Insurance Corporation	LATAM Airlines Group S.A.	Four letter of credit	3,140	Apr 5, 2016
Citibank N.A.	LATAM Airlines Group S.A.	One letter of credit	16,400	Jan 31, 2016
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	8,862	Feb 11, 2016
Deutsche Bank A.G.	LATAM Airlines Group S.A.	Three letter of credit	40,000	Mar 31, 2016
Dirección General de Aeronáutica Civil	LATAM Airlines Group S.A.	Sixty six letter of credit	15,687	Jan 31, 2016
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	LATAM Airlines Group S.A.	One letter of credit	5,500	Jun 17, 2016
Metropolitan Dade County	LATAM Airlines Group S.A.	Ten letter of credit	3,108	Mar 13, 2016
The Royal Bank of Scotland plc	LATAM Airlines Group S.A.	Two letter of credit	23,000	Jan 8, 2016
Washington International Insurance 8ª Vara Federal da Subseção de Campinas SP	Tam Linhas Aéreas S.A.	One insurance policies guarantee	10,762	May 19, 2016
Conselho Administrativo de Conselhos Federais	Tam Linhas Aéreas S.A.	One insurance policies guarantee	5,595	Oct 20, 2021
Fundação de Proteção de Defesa do Consumidor Procon	Tam Linhas Aéreas S.A.	Two insurance policies guarantee	2,465	May 16, 2016
Juizo da 6ª Vara de Execuções Fiscais Federal de Campo Grande/MS	Tam Linhas Aéreas S.A.	Two insurance policies guarantee	19,402	Jun 4, 2016
União Federal Vara Comarca de DF	Tam Linhas Aéreas S.A.	Two insurance policies guarantee	2,250	Nov 9, 2020
			<u>161,031</u>	

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NOTE 32 - TRANSACTIONS WITH RELATED PARTIES

(a) Details of transactions with related parties as follows:

Tax No.	Related party	Nature of relationship with related parties	Country of origin	Nature of related parties transactions	Currency	Transaction amount with related parties	
						As of December 31, 2015	2014
						ThUS\$	ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda y CPA	Related director	Chile	Tickets sales	CLP	15	31
96.847.880-K	Technical Training Latam S.A.	Associate (*)	Chile	Leases as lessor	CLP	-	209
				Training services received	CLP	-	(785)
				Training services received	US\$	-	(743)
65.216.000-K	Comunidad Mujer	Related director	Chile	Tickets sales	CLP	2	9
				Services provided for advertising	CLP	(10)	(1)
78.991.370-1	Bethia S.A and subsidiaries	Related director	Chile	Services received of cargo transport	CLP	(259)	(646)
				Other revenue	CLP	30	-
				Services received from National and International Courier	CLP	(227)	(496)
				Other services received	CLP	-	(10)
				Settlement of Property, plant and equipment (1)	CLP	-	-
				Commitments made on behalf of the entity	CLP	-	-
79.773.440-3	Transportes San Felipe S.A	Related director	Chile	Tickets sales	CLP	7	24
				Services received of transfer of passengers	CLP	(127)	(70)
				Commitments made on behalf of the entity	CLP	-	-
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	Tickets sales	CLP	117	155
65.216.000-K	Viajes Falabella Ltda.	Related director	Chile	Sales commissions	CLP	(50)	-
Foreign	Inversora Aeronautica Argentina	Related director	Argentina	Revenue billboard advertising maintaining	ARS	1	12
				Leases as lessor	US\$	(269)	(334)
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Related director	Brazil	Services received of transport	BRL	-	(2)
Foreign	TAM Aviação Executiva e Taxa Aéreo S/A	Principal shareholder of the common matrix	Brazil	Revenue from services provided	BRL	-	-
				Services received	BRL	(56)	(12)
				Commitments made on behalf of the entity	BRL	-	-
Foreign	Prismah Fidelidade S.A.	Joint Venture	Brazil	Professional counseling services received	BRL	-	(179)
Foreign	Jochmann Participações Ltda.	Other related parties	Brazil	Services received	BRL	-	-
Foreign	Consultoria Administrativa Profesional S.A. de C.V.	Associate	Mexico	Professional counseling services received	MXN	(399)	-

(*) Subsidiary from October, 2014

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

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

(b) Compensation of key management

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

	For the period ended	
	December 31,	
	2015	2014
	ThUS\$	ThUS\$
Remuneration	17,185	19,507
Management fees	547	1,213
Non-monetary benefits	864	990
Short-term benefits	19,814	-
Share-based payments	10,811	16,086
Total	<u>49,221</u>	<u>37,796</u>

NOTE 33 - 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 by LATAM Airlines Group S.A. to employees of the Company and its subsidiaries, are recognized in the financial statements in accordance with the provisions of IFRS 2 "Share-based Payment", showing the effect of the fair value of the options granted under compensation in linear between the date of grant of such options and the date on which these irrevocable.

(a.1) Compensation plan 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:

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Percentage	Period		Number of share options
30%	From December 21, 2014 and until December 21, 2016.		
30%	From December 21, 2015 and until December 21, 2016.		
40%	From June 21, 2016 and until December 21, 2016.		
		Share options in agreements of share- based payments, as of January 1, 2014	4,497,000
		Share options granted	160,000
		Share options cancelled	(455,000)
		Share options in agreements of share- based payments, as of December 31, 2014	4,202,000
		Share options in agreements of share- based payments, as of January 1, 2015	4,202,000
		Share options granted	406,000
		Share options cancelled	(90,000)
		Share options in agreements of share- based payments, as of December 31, 2015	4,518,000

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 December 2015 corresponds to ThUS\$ 10,811 (ThUS\$ 12,900 at December 31, 2014).

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

	Weighted average share price	Exercise price	Expected volatility	Life of option	Dividends expected	Risk-free interest
As of December 31, 2014	US\$ 15,47	US\$ 18,29	34.74%	3.6 years	0%	0.00696
As of December 31, 2015	US\$ 15,47	US\$ 18,29	34.74%	3.6 years	0%	0.00696

(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. With regard to this compensation, a defined date for implementation does not exist. 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:

Percentage	Period
100%	From November 15, 2017 and until June 11, 2018.

(b) Subsidiaries compensation plans

(b.1) Stock Options

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TAM Linhas Aéreas S.A. and Multiplus S.A., both subsidiaries of TAM S.A., have outstanding stock options at December 31, 2015, which amounted to 96,675 shares and 518,507 shares, respectively (at December 31, 2014, the distribution of outstanding stock options amounted to 637,400 for Multiplus S.A. and 96,675 shares TAM Linhas Aéreas S.A.).

TAM Linhas Aéreas S.A.

Description Date	4th Grant	
	05-28-2010	Total
Outstanding option number As December 31, 2014	96,675	96,675
Outstanding option number As December 31, 2015	96,675	96,675

Multiplus S.A.

Description Date	1st Grant	3rd Grant	4th Grant	4th Extraordinary Grant	Total
	10-04-2010	03-21-2012	04-03-2013	11-20-2013	
Outstanding option number As December 31, 2014	7,760	129,371	294,694	205,575	637,400
Outstanding option number As December 31, 2015	-	102,621	255,995	159,891	518,507

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	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
TAM Linhas Aéreas S.A.	-	-	96,675	96,675
Multiplus S.A.	-	-	518,507	637,400

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-Merton" method, where the cases

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were updated with information LATAM Airlines Group S.A.. There is no value recorded in liabilities and in income at December 31, 2015 (at December 31, 2014 not exist value recorded in liabilities and the amount recognized in in incomes was THUS\$ 191).

(b.2) Payments based on restricted stock

In May of 2014 the Management Council of Multiplus S.A. approved a plan to grant restricted stock, a total of 91,103 ordinary, registered, book entry securities with no face value, issued by the Company to beneficiaries.

The quantity of restricted stock units was calculated based on employees' expected remunerations divided by the average price of shares in Multiplus S.A. traded on the BM&F Bovespa exchange in the month prior to issue, April of 2014. This benefits plan will only grant beneficiaries the right to the restricted stock when the following conditions have been met:

a. Compliance with the performance goal defined by this Council as return on Capital Invested.

b. The Beneficiary must remain as an administrator or employee of the Company for the period running from the date of issue to the following dates described, in order to obtain rights over the following fractions: (i) 1/3 (one third) after the 2nd year from the issue date; (ii) 1/3 (one third) after the 3rd year from the issue date; (iii) 1/3 (one third) after the 4th year from the issue date.

	Number shares in circulation
As of January 1, 2014	-
Granted	91,103
As of December 31, 2014	<u>91,103</u>
As of January 1, 2015	91,103
Granted	119,731
Not acquired due to breach of employment retention conditions	(34,924)
As of December 31, 2015	<u>175,910</u>

NOTE 34 - THE ENVIRONMENT

LATAM Airlines Group S.A. manages environmental issues at the corporate level, centralized in Environmental Management. There is a commitment to the highest level to monitor the company and minimize their impact on the environment, where continuous improvement and contribute to the solution of global climate change problems, 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 called Climate Change Strategy and it is based on the aim of being a world leader in Climate Change and Eco-efficiency, which is implemented on the following objectives:

- i. Impact and Profitability:
- Environmental Management System
 - Risk Management
 - Eco-efficiency
 - Sustainable Alternative Energy

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- ii. Commitment and Recognition:
- Internal Capacity Development
 - Transparency
 - Value Chain
 - Emissions Offsets
 - Recognition and Communications Projects

For 2015, were established and worked the following topics:

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. Corporate Risk Management;
4. Establishment of corporate strategy to meet the global target of aviation to have a carbon neutral growth by 2020.

Thus, during 2015, we have worked in the following initiatives:

- Advance in the implementation of an Environmental Management System for main operations, with an emphasis on Santiago and Miami. Achieving certification Environmental Management System ISO 14001 at its facility in Miami.
- Certification of stage 2, the most advanced IATA Environmental Assessment (IEEnVA), been the third airline in the world to achieve this certification.
- Preparation of the environmental chapter for reporting sustainability of the Company, to measure progress on environmental issues.
- The preparation of the second report supporting environmental management of the Company.
- Measurement and external verification of the Corporate Carbon Footprint.

It is highlighted that in the 2015 LATAM Airlines Group maintained its selection in the index Dow Jones Sustainability in the global category, being the only two airlines that belong to this select group.

As of December 31, 2015, the Environment Management spent US\$ 150,700 (US\$ 370,160 at December 31, 2014). The budget of the Environment Management for 2015 was US\$ 324,460 (US\$ 520,000 for 2014).

NOTE 35 – EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

The Company announced on February 4, 2016 that Ignacio Cueto Plaza, CEO of LAN Airlines, has consented to the entry of a cease-and-desist order by the Securities and Exchange Commission (SEC) concerning the books and records and internal controls provisions of the U.S. Securities Exchange Act of 1934.

- The allegations set forth in the Order relate to an isolated matter which occurred in 2006 – 2007. As previously disclosed in LATAM's public filings, the issue is related to consultant fee payments made by LAN Airlines S.A. to a consultant on labor matters in Argentina which were not accurately recorded in the Company's accounting records. Ignacio Cueto consented to the Order and agreed to pay a \$75,000 penalty to the SEC and to remain in compliance with LATAM's compliance structure and internal accounting controls.
- Over the past decade, since the occurrence of this event, the Company has implemented significant enhancements to its compliance structure and internal accounting controls.

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The Company and its senior executives maintain a strong commitment to complying with all laws and regulations in all countries where the company operates. The Company has been cooperating with the investigation of the U.S. regulatory authorities and will continue to do so as necessary.

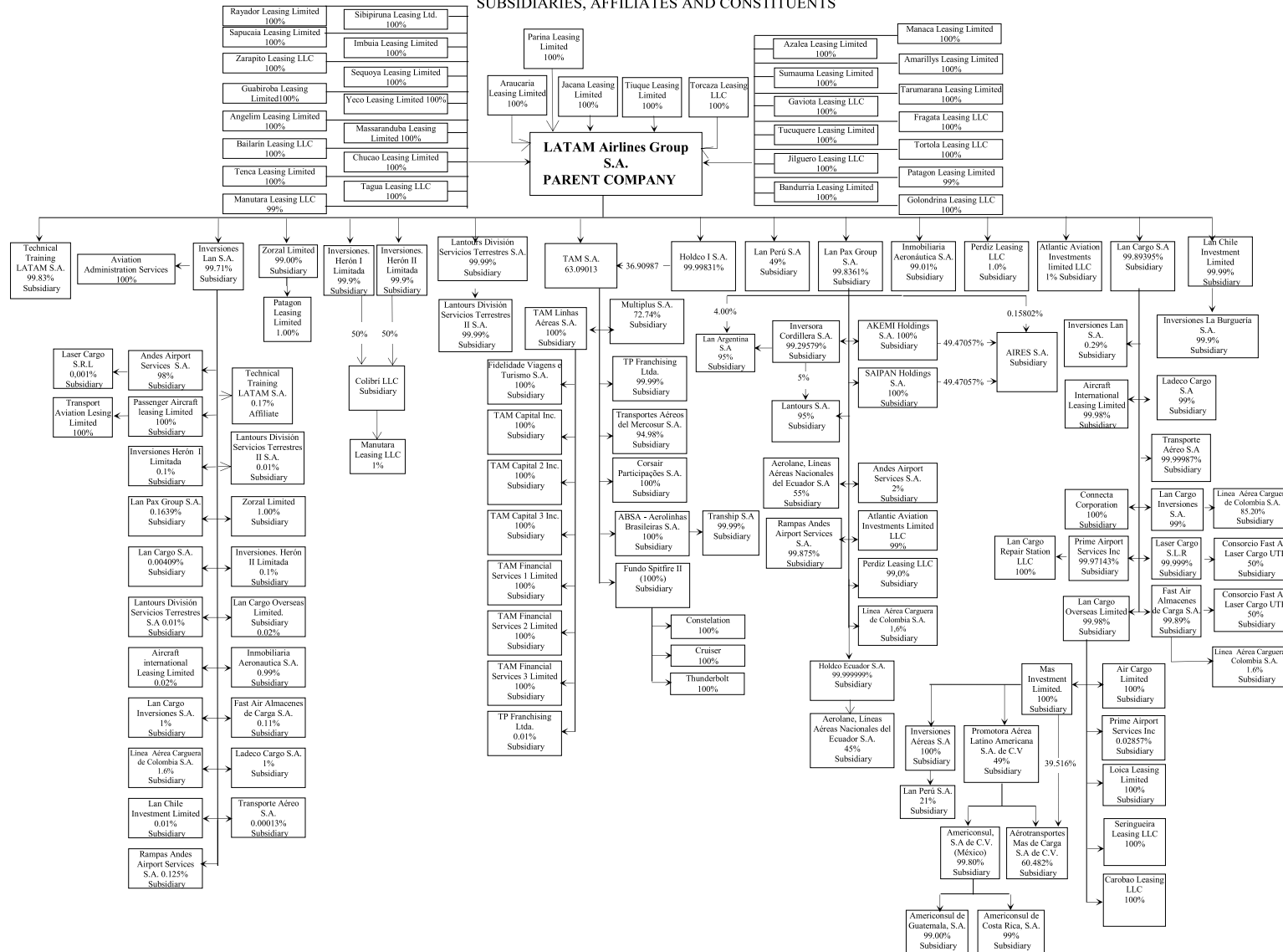
Subsequent to the closing date of the annual financial statements, at December 31, 2015, has occurred an important variation in the exchange rate (Central Bank of Brazil) R\$/US\$, from R\$3.90 per US\$ to R\$ 3.62 per US\$ at March 21, 2016, which represents a 7.22% appreciation of the Brazilian currency.

At the date of issuance of these financial statements, given the complexity of this matter, the administration has not yet concluded the analysis and determination of the financial effects of this situation.

LATAM Airlines Group S.A. and Subsidiaries' consolidated financial statements as at December 31, 2015, have been approved by the Board of Directors in an extraordinary meeting held on March 21, 2016.

LATAM AIRLINES GROUP S.A. AND COMPANIES

SUBSIDIARIES, AFFILIATES AND CONSTITUENTS



Subsidiaries and Affiliates Information

LATAM AIRLINES GROUP S.A

Name: LATAM Airlines Group S.A., R.U.T.
89,862,200-2

Constitution: It was incorporated as a limited liability company, by public deed on December 30, 1983, granted in the Notary of Eduardo Avello Arellano, whose excerpt was registered in the Registry of Commerce of Santiago in page 20,341, number 11,248 of 1983 and published in the Official Journal on December 31, 1983.

Constituted by public deed issued on August 20, 1985, granted in the Notary Miguel Garay Figueroa, the company became a publicly traded company, under the name Línea Aérea Nacional Chile S.A. (today LATAM Airlines Group S.A.), which by express provision of the Law N°18,400 is the legal continuation of the public state-owned company funded in 1929 under the name Línea Aérea Nacional de Chile, related to aviation and radio communications concessions, traffic rights and other administrative concessions.

The Extraordinary Board of Directors of Lan Chile S.A. held on July 23, 2004 agreed to change the name of the company to "Lan Airlines S.A." An extract of the public deed that summarizes the Act of the aforementioned Board Meeting was registered in the Register of Commerce of the Property Register 25,128 number 18,764 of 2004 and published in the Official Journal on August 21, 2004. The effective date of the name change was September 8, 2004.

The Extraordinary Board of Directors of Lan Airlines S.A. held on December 21, 2011 agreed to change the name of the company to "LATAM Airlines Group S.A." An extract of the public deed that summarizes the Act of the aforementioned Board Meeting was registered in the Register of Commerce of the Property Register pages 4,238 number 2,921 of 2012 and published in the Official Journal on January 14, 2012. The effective date of the name change was June 22, 2012.

LATAM Airlines Group S.A. is governed by the regulations applicable for publicly traded companies, and is registered under N° 0306, as of May 22, 1987, in the Securities Registry of the Superintendence of Securities and Insurance.

Note: The Financial Statements of the subsidiaries are included in the form of summary in this report. The complete information is available for the public in our offices and in the Superintendence of Securities and Insurance.

TAM S.A. AND SUBSIDIARIES

Constitution: Publicly held company formed in Brazil in May 1997.

Purpose: Participate as shareholder in other companies, especially in companies that operate domestic and international air transport service in a regular basis and other related activities, related or supplementary to the regular air transport.

Subscribed and paid- in capital: MUS\$ 2,304,021

Net Income: MUS\$ (146,198)

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 2.75%

Chairman of the Board:

Claudia Sender Ramirez

Directors:

Ruy Antonio Mendes Amparo

Federico Herman Germani

Subsidiaries of TAM S.A.

- **TAM Linhas Aereas S.A. and subsidiaries**

Type of Entity: Publicly held company formed in Brazil.

Purpose: (a) Operation of scheduled air transport services of passengers, cargo and mail bags in accordance with current legislation; (b) Exploration of complementary activities of air transport services for passengers freight, cargo and mail; (c) Provision of maintenance services, aircraft repair, own or third parties, engines, parts and pieces; (d) hangar services Provision of aircraft; (e) Provision of yard care services and track flight attendant supply and cleaning of aircraft; (f) Provision of engineering services, technical assistance and other activities related to the aviation industry; (g) the performance of education and training, related to aeronautical activities; (h) Analysis and development of systems and programs; (i) buying and selling parts, accessories and appliances; (j) Development and implementation of other related activities, related or complementary to air transport. Besides the above listed specifically; (k) Import and export of finished lubricating oil; and (i) Exploration of correspondent banking service.

Subscribed and paid- in capital: MUS\$ 1,289,676
Stake: 100.00%
Change YoY: 0.00%
% of consolidated assets: 2.54497%

Chairman of the Board:
 Claudia Sender Ramirez

Directors:
 Ruy Antonio Mendes Amparo
 Daniel Levy

- **ABSA: Aerolinhas Brasileiras S.A. y filial**

Type of Entity: Publicly held company formed in Brazil.

Purpose: (a) the operation of scheduled air transport services of passengers, cargo and mail bags, domestic or international, in accordance with current legislation; (b) the operation of air transport auxiliary activities, such as care, cleaning and towing aircraft, monitoring of cargo, operational dispatch flight, check in and check out and other services provided for in legislation; (c) Commercial and Operational leasing and chartering of aircraft; (d) Operation of maintenance services and marketing parts, aircraft parts and equipment; and (e) Development and implementation of other related, similar or complementary activities to air transport in addition to those expressly listed.

Subscribed and paid- in capital: MUS\$ 3,314
Stake: 100.00%
Change YoY: 0.00%
% of consolidated assets: 0.21801%

Chairman of the Board:
 Luis Quintiliano

Directors:
 Dario Matsuguma

Daniel Levy

- **Multiplus S.A.**

Type of Entity: Publicly held company formed in Brazil.

Purpose: i. the development and management of customer loyalty program because of consumer goods and services offered by the Company's partners; ii. the sale of reward redemption rights under customer loyalty program; iii. creating database of individuals and legal entities; iv. obtaining and processing transactional information related to consumption habits; v. the representation of other companies, Brazilian or foreign; and vi. providing ancillary services to the trade of goods and products, including, but not limited to, the import and export, in addition to the purchase of items and products, directly and indirectly, the achievement of the above activities

Subscribed and paid- in capital: MUS\$31,616
Stake: 72.40%
Change YoY: 0.00%
% of consolidated assets: 0.99075%

Chairman of the Board:
 Roberto José Maris DE Medeiros

Directors:
 Ronald Domingues
 Ricardo Gazetta
 Ricardo Birtel Mendes de Freitas

- *Transportes Aereos del Mercosur S.A.*

Type of Entity: Publicly held company formed in Paraguay.

Purpose: This entity has a broad company purpose including aviation activities, commercial, tourism, services, financial, representations, and investments, thus emphasizing aeronautical activities of regular and non-regular transport, domestic and international transport of individuals, e international de personas, objects and/ or mail, among others, commercials and maintenance service delivery and technical assistance of all kind of aircrafts, equipment, parts and materials for aviation, among others.

Subscribed and paid- in capital: MUS\$ 17,219

Stake: 94.98%

Change YoY: 0.00%

% of consolidated assets: 0,11039%

Chairman of the Board:

Gustavo Lopegui

Directors:

Enrique Alcaide Hidalgo

Darío Maciel Martínez

Hernán Pablo Morosuk (Suplente)

Senior Management:

Enrique Alcaide Hidalgo

Esteban Burt Artaza

Hernan Pablo Morosuk

Gabriela Terrazas Domaniczky

María Emiliana Duarte León

CEO:

Rosario Altgelt

- *Corsair Participações Ltda*

Type of Entity: Publicly held company formed in Brazil.

Purpose: (I) participation in other civil or commercial companies as a shareholder or partner; and (ii) the management of own assets.

Subscribed and Paid Capital: MUS\$49

Participation 2015: 100.00%

Variation y/y: 0.00%

% of consolidated assets: -0.00238%

Chairman of the Board:

Ruy Antonio Mendes Amparo

Directors:

Euzébio Angelotti Neto

- *TP Franchising Limited*

Type of Entity: Limited liability company formed in Brazil.

Purpose: (a) franchising (b) temporary, free or onerous assignment, to its franchisees, of using trademarks rights, systems, knowledge, methods, patents, performance technology and any other rights, interests or property, movable or immovable, tangible or intangible, that the Company is or may be the owner or licensee related to the development, implementation, operation or management of franchises that may be granted;(c) the development of any activities necessary to ensure as far as possible, the maintenance and continuous improvement of standards of performance of its franchise network;(d) the development of deployment models, operation and management of the franchise network and its transmission to franchisees; and (e) the distribution, sale and marketing of air tickets and related products, as well as any related business or accessories to its main purpose, and may also participate in other companies as partner or shareholder, in Brazil or abroad, or in consortia as well as undertake their own projects, or join the third-party projects, including for purposes of tax incentives, according to the legislation.

Subscribed and paid- in capital: MUS\$8

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.00447%

Senior Management:

Cláudia Sender Ramirez

Marcelo Eduardo Guzzi Dezem

Daniel Levy

- *TAM Capital Inc*

Type of Entity: Publicly held company formed in Brazil.

Purpose: The Company is enabled to perform any activity not forbidden by law.

Subscribed and paid- in capital: MUS\$ 111,123

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.08937%

Directors:

José Zaidan Maluf.

Bruno Macareno Aléssio

Euzébio Angelotti Neto

- *TAM Capital 2 Inc.*

Type of Entity: Publicly held company formed in Brazil.

Purpose: The Company is enabled to perform any activity not forbidden by law.

Subscribed and paid- in capital: MUS\$ 78,969

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.10581%

Directors:

José Zaidan Maluf.

Bruno Macareno Aléssio

Euzébio Angelotti Neto

- *TAM Capital 3 Inc.*

Type of Entity: Publicly held company formed in Brazil.

Purpose: The Company is enabled to perform any activity not forbidden by law.

Subscribed and paid- in capital: MUS\$ 178,391

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 1.02135%

Directors:

José Zaidan Maluf.

Bruno Macareno Aléssio

Euzébio Angelotti Neto

LAN CARGO S.A AND SUBSIDIARIES

Constitution: It was incorporated as a limited liability company by public deed on May 22, 1970, granted in the Notary Sergio Rodríguez Garcés, incorporation that was materialized with the contribution of assets and liabilities of the company Línea Aérea del Cobre Limitada (Ladeco Limitada), incorporated on September 3, 1958 in the Notary Jaime García Palazuelos. The Company has experienced a series of reforms, being the last one registered by public deed as of November 20, 1998, whose excerpt was registered in pages 30,091 number 24,117 in the Registry of Commerce of Santiago 1983 and published in the Official Journal on December 3, 1998, whereby Ladeco S.A. merged with the incorporation of Lan Chile S.A. subsidiary Fast Air Carrier S.A.

By public deed of October 22, 2001, as of the same date the Act of the Extraordinary Shareholders Meeting of Ladeco S.A., the company name was modified to "Lan Chile Cargo S.A." An excerpt of that public deed was registered in the Registry of Commerce of the Registry of Property of Santiago pages 27,746 number 22,624 of 2001 and published in the Official Journal on November 5, 2001. The name change was effective starting from December 10, 2001.

By public deed of August 23, 2004, as stated in the Act of the Extraordinary Shareholders Meeting of Lan Chile Cargo S.A. of August 17, 2004, the company name was modified to "Lan Cargo S.A." An excerpt of that public deed was registered in the Registry of Commerce of the Registry of Property of Santiago pages 26,994 number 20,082 of 2004 and published in the Official Journal on August 30, 2004.

Purpose: Perform and develop, on its own account or on behalf of third parties, the following: transport in general in any of its forms, and, in particular, air transport of passengers,

cargo and mail, in or outside the country; tourism, hotels and other supplementary activities, in any of its forms, in or outside the country; the acquisition or sale, manufacturing, maintenance, leasing or any other way of use and enjoyment, on its own account or on behalf of third parties, of aircrafts, parts and aeronautic equipment, and its operation; delivery of every type of service and consultancy related to transport in general and, in particular, with air transport in any of its forms, being ground support, maintenance, technical or any other type of advisory, in or outside the country, and every type of activities and services related linked to tourism, hotels and other activities and aforementioned goods, in or outside the country. In order to comply with the aforementioned objectives, the Company may make investments or participate as partner in other companies, either acquiring stocks or rights or interests in any other type of partnership, being so for the existing ones and the ones to be created in the future and, in general, to execute every act and conclude the contracts needed and relevant for the purposes specified.

Subscribed and paid- in capital: MUS\$ 83,226

Net Income: MUS\$ (61,332)

Stake: 99.898%

Change YoY: 0.00%

% of consolidated assets: 2.05%

Chairman of the Board:

José Cox Donoso

Directors:

Juan José Cueto Plaza (LATAM Director)

Ramón Eblen Kadis (LATAM Director)

Ignacio Cueto Plaza (LATAM Senior Management)

Enrique Cueto Plaza (LATAM Senior Management)

Andrés Osorio Hermansen (LATAM Senior Management)

CEO:

Alvaro Carril Muñoz

LAN CARGO S.A AND SUBSIDIARIES

- *Laser Cargo S.R.L.*

Type of Entity: Limited liability company formed in Argentina.

Purpose: On its own account or on behalf of third parties the service delivery as air and ocean cargo services, operation of air and ocean containers, loading or unloading cargo control of traditional aircrafts, freighters, traditional ships and container ships, consolidation and deconsolidation, operations and contracts with transport companies, of distribution and promotion of air, ocean, river and ground cargo, and related services, import and export: these operations will be performed in accordance with the applicable laws of the country, and the regulations applicable to these occupations and activities, the legal and customs dispositions and regulations of the Argentine Naval Prefecture, and also assign to third parties to perform the tasks assigned by current legislation for customs brokers; also deposit and transport on its own account and/ or on behalf of third parties of fruits, products, raw materials, goods in general and all kinds of documentation: packaging of goods, on its own account or on behalf of third parties. In the performance of these tasks the company may register as air or shipping agent, importer and exporter, ocean and air contractor and supplier before the competent authorities. At the same time, will develop mail activities intended to the admission, classification, transport, classification, mail, packages of up to 50 kilos, made in the Republic of Argentina from and to the exterior. This activity includes the one developed by the couriers, or courier companies and every other activity and every other activity assimilated according to Art. 4 of Decree 1187/93. The company is also enabled to develop the logistic process consistent with the transport, storage, assembly, fractioning, packaging, refurbishment of merchandise in general for its transport an distribution to the final customer together with the management of the relevant information to comply with this objective, meaning: the logistic process of taking the raw material from the supplier to the delivery of the finished to the

| SUBSIDIARIES AND AFFILIATED COMPANIES

customer and the regulation related to the information that ensures the efficiency of the activity.

Subscribed and paid- in capital: MUS\$68

Stake: 99.99%

Change YoY: 0.00%

% of consolidated assets: -0.00007%

Directors:

Esteban Bojanich

Senior Management:

Esteban Bojanich.

Rosario Altgelt

María Marta Forcada.

Facundo Rocha

Gonzalo Perez Corral

Nicolás Obejero

Norberto Díaz

- *Aircraft Internacional Leasing Limited*

Type of Entity: Limited liability company formed in Bahamas.

Purpose: Acquisition and financing of aircrafts.

Subscribed and paid- in capital: MUS\$5

Stake: 99.98%

Change YoY: 0.00%

% of consolidated assets: -0.00002%

Directors:

Richard Evans

Carlton Mortimer

Charlene Y. Wells

Geoffrey D. Andrews

- *Fast Air Almacenes de Carga S.A.*

Type of Entity: Publicly held company formed in Chile.

Purpose: Perform and develop the operation and management of warehouses or venues of customs storage, places where its possible to store any good or merchandise until its withdrawal, for import, export or any other customs destination, according to the terms contained in the Customs Ordinance, its regulation and applicable rules.

Subscribed and paid- in capital: MUS\$6,741

Stake: 99.89%

Change YoY: 0.00%

% of consolidated assets: 0.02400%

Directors:

Juan José Cueto Plaza (LATAM Director)

Alvaro Carril Muñoz (LATAM Senior

Management)

Andrés Osorio Hermansen (LATAM Senior Management)

Andrés del Valle Eitel (LATAM Senior

Management)

Enrique Elsaca Hirmas (LATAM Senior

Management)

CEO:

Javier Cáceres Celia

- *Prime Airport Services Inc. y filial*

Type of Entity: Corporation formed in the United States.

Purpose: Perform and develop the operation and management of warehouses or venues of customs storage, places where it's possible to store any good or merchandise until its withdrawal, for import, export or any other customs destination, according to the terms contained in the Customs Ordinance, its regulation and applicable rules.

Subscribed and paid- in capital: MUS\$2

Stake: 100.00%

Change YoY: 0,00%

% of consolidated assets: -0.02484%

Directors:

Carlos Larrain

CEO:

Rene Pascua

- **Lan Cargo Overseas Limited and subsidiaries**

Type of Entity: Limited liability company formed in Bahamas.

Purpose: Participate in any act or activity not forbidden by any existing law in Bahamas.

Subscribed and paid- in capital: MUS\$1,183

Stake: 100.00%

Change YoY: 0,00%

% of consolidated assets: 0.08598%

Directors:

Andres del Valle Eitel (LATAM Senior Management)

Cristian Toro (LATAM Senior Management)

Pilar Duarte

Senior Management:

Andres del Valle Eitel (LATAM Senior Management)

Cristian Toro (LATAM Senior Management)

- **Transporte Aéreo S.A.**

Type of Entity: Publicly held company formed in Chile.

Purpose: Participate in any act or activity not forbidden by any existing law in Bahamas.

Subscribed and paid- in capital: MUS\$11,800

Stake: 99.99%

Change YoY: 0.00%

% of consolidated assets: 1.15157%

Directors:

Andrés Osorio Hermansen

Roberto Alvo Milosawlewitsch

Enrique Elsaca Hirmas

Senior Management:

Andrés Osorio Hermansen

Roberto Alvo Milosawlewitsch

Enrique Elsaca Hirmas

CEO:

Enrique Elsaca Hirmas

- **Consortio Fast Air Almacenes de Carga S.A. - Laser Cargo S.R.L.**

Type of Entity: Transitory consortium of Companies constituted in Argentina.

Purpose: Submission to a National and International Public Tender N° 11/2000 for granting the Permit for the Use of the Installation and Operation of a Fiscal Deposit in the International Airport of Rosario.

Subscribed and paid- in capital: MUS\$132

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.00039%

Directors:

Esteban Bojanich

Senior Management:

Esteban Bojanich

- **Lan Cargo Inversiones S.A and subsidiary**

Type of Entity: Publicly held company formed in Chile.

Purpose: a) Trading of air transport in any of its forms, of passengers, mail and/ or cargo, and every activity related directly or indirectly with such activity, in or outside the country, on its own account or on behalf of third parties; b) the service delivery related to maintenance and repair of aircrafts, of its own property or belonging to third parties; c) trade and development of activities related with travel, tourism and hotels; d) Development and/ or participation in every type of investments, in Chile and abroad, in matters related directly or indirectly with aeronautic matters and/ or other corporate objectives; and e) Development and operation of every activity derived from the company purpose and/ or linked or complementary.

Subscribed and paid- in capital: MUS\$125

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: -0.07309%

Directors:

Ignacio Cueto Plaza (LATAM Senior Management)

Andrés Osorio Hermansen (LATAM Senior Management)

Roberto Alvo Milosawlewitsch (LATAM Senior Management)

- **Connecta Corporation**

Type of Entity: Corporation constituted in the United States.

Purpose: Ownership, operating leasing and sub-leasing of aircrafts.

Subscribed and paid- in capital: MUS\$1
Stake: 100.00%
Change YoY: 0.00%
% of consolidated assets: -0.00678%

CEO:
 Ernesto Ramirez

- **Línea Aérea Carguera de Colombia**
(Subsidiary of LAN Cargo Inversiones)

Type of Entity: Publicly held company formed in Colombia.

Purpose: Delivery of public air commercial cargo and mail transport service within the Republic of Colombia, and from and to Colombia. Its corporate secondary purpose the company is enabled to delivery maintenance services to itself or to third parties; operate its operations school and delivery services of theory and practical training, and training to aeronautical professionals of its own or to third parties on its different modalities and specialties; import for itself or for third parties parts, components and pieces related to the aviation industry; delivery port services to third parties; represent or act as an agency for air domestic or foreign companies, passenger or cargo, and in general to companies that delivery services from the aeronautic sector.

Subscribed and paid- in capital: MUS\$774

Stake: 90.00%
Change YoY: 0.00%
% of consolidated assets: 0.03929%

Directors:

Alberto Davila Suarez
 Pablo Canales
 Jaime Antonio Gongora Esguerra
 Fernando García Poitevin (Substitute)
 Jorge Nicolas Cortazar Cardoso (Substitute)

Senior Management:

Jaime Antonio Gongora Esguerra
 Erika Zarante Bahamon (Suplemente)

- **Mas Investment Limited (Subsidiary of LAN Overseas Limited)**

Type of Entity: Limited Liability Company formed in Bahamas.

Purpose: Perform any activity not forbidden by existing law in Bahamas and specifically to have ownership in other subsidiaries of LAN.

Subscribed and paid- in capital: MUS\$1,446
Stake: 100.000
Change YoY: 0.00%
% of consolidated assets: 0.03261%

Directors:

J. Richard Evans
 Carlton Mortimer
 Charlene Y. Wels
 Geoffrey D. Andrews.

- **Promotora Aérea Latinoamérica S.A and subsidiaries (Subsidiary of Mas Investmet Limited)**

Type of Entity: Publicly held company of Variable Capital formed in Mexico.

Purpose: Promote, constitute, organize, operate and participate in equity and capital, of all kind of mercantile or civil companies, associations or industrial companies, service or of any other kind, domestic or international, and also to participate in its management or winding up. *The

acquisition, sale and in general the negotiation of every type of equity, social stakes and other permitted by law...*The delivery or contracting of technical services, advisory, as well as entering into contracts or agreements to accomplish these objectives.

Subscribed and paid- in capital: MUS\$2,216
Stake: 49.00%
Change YoY: 0.00%
% of consolidated assets: 0.02302%

Senior Management:
 Luis Ignacio Sierra Arriola

- **Inversiones Áreas S.A (Subsidiary of Mas Investmet Limited)**

Type of Entity: Publicly held company formed in Peru.

Purpose: Promote, constitute, organize, operate and participate in equity and capital, of all kind of mercantile or civil companies, associations or industrial companies, service or of any other kind, domestic or international, and also to participate in its management or winding up. *The acquisition, sale and in general the negotiation of every type of equity, social stakes and other permitted by law...*The delivery or contracting of technical services, advisory, as well as entering into contracts or agreements to accomplish these objectives.

Subscribed and paid- in capital: MUS\$428
Stake: 100.00%
Change YoY: 0.00%
% of consolidated assets: 0.02444%

Directors:

Andrés Enrique del Valle Eitel
 Andrés Osorio Hermansen
 Cristian Eduardo Toro Cañas

CEO:

Carlos Schacht Rotter

- *Americonsul S.A de C.V. (Subsidiary of Promotora Aérea Latinoamérica S.A and subsidiaries)*

Type of Entity: Publicly held company of Variable Capital formed in México.

Purpose: Provide and receive every type of technical services, administration and advisory to industrial companies, commercial and services providers; Promote, organize, manage, supervise, convey and manage training courses to the employees; Perform every type of training to the staff; Perform every type of studies, plans, projects, research work; Hire the required professional and technical staff.

Subscribed and paid- in capital: MUS\$5
Stake: 49.00%
Change YoY: 0.00%
% of consolidated assets: 0.00000%

Senior Management:
 Luis Ignacio Sierra Arriola

- *Americonsult de Guatemala S.A. (Subsidiary of Americonsul S.A de C.V)*

Type of Entity: Publicly held company formed in Guatemala.

Purpose: Powers to represent, intermediate, negotiate and commercialize; develop every type of commercial and industrial activities; every type of commerce in General. The purpose is broad and allows every kind of operations in the country.

Subscribed and paid- in capital: MUS\$76
Stake: 99.00%
Change YoY: 0.00%
% of consolidated assets: 0.00238%

Presidente Directorio:
 Luis Ignacio Sierra Arriola

Directors:
 Carlos Fernando Pellecer Valenzuela

Senior Management:
 Carlos Fernando Pellecer Valenzuela

- *Americonsult de Costa Rica S.A. (Subsidiary of Americonsul S.A de C.V)*

Type of Entity: Publicly held company formed in Costa Rica.

Purpose: Commerce in general: industry, agriculture and cattle.

Subscribed and paid- in capital: MUS\$ 20
Stake: 99.00%
Change YoY: 0.00%
% of consolidated assets: 0.00353%

Senior Management:
 Luis Ignacio Sierra Arriola
 Tesorero: Alejandro Fernández Espinoza
 Luis Miguel Renguel López
 Tomás Nassar Pérez
 Marjorie Hernández Valverde.

LAN PERÚ S.A

Constitution: Publicly held company formed in Peru on February 14, 1997.

Purpose: Service delivery of air, cargo and mail passengers transport, domestic and international, in accordance with the civil aeronautic regulation.

Subscribed and paid- in capital: MUS\$4,341
Net Income: MUS\$5,068
Stake: 70.00%
Change YoY: 0.00%
% of consolidated assets: 0.08%

Chairman of the Board:
 Emilio Rodríguez Larrain Salinas

Directors:
 César Emilio Rodríguez Larrain Salinas
 Ignacio Cueto Plaza (LATAM Senior Management)
 Enrique Cueto Plaza (LATAM Senior Management)
 Jorge Harten Costa
 Alejandro García Vargas
 Emilio Rodríguez Larrain Miró Quesada
 Armando Valdivieso Montes (LATAM Senior Management)

CEO:
 Félix Antelo

INVERSIONES LAN S.A AND SUBSIDIARIES

Constitution: It was incorporated as a limited liability company, by public deed on January 23, 1990, granted in the Notary Humberto Quezada M., registered in the Registry of Commerce of Santiago in page 3,462 N°1,833 of 1990, and published in the Official Journal on February 2, 1990.

Purpose: Make investments of every kind of goods, which might be movable or immovable, tangible or intangible. Besides, the Company might enter into other type of companies, of any kind; acquire rights in already formed companies, manage, modify or wind up them.

Subscribed and paid- in capital: MUS\$458

Net Income: MUS\$2,798

Stake: 100.00%

Change YoY: 0.29%

% of consolidated assets: 0.01%

Directors:

Enrique Cueto Plaza (LATAM Senior Management)

Ignacio Cueto Plaza (LATAM Senior Management)

Andrés Osorio Hermansen (LATAM Senior Management)

Roberto Alvo Milosawlewitsch (LATAM Senior Management)

Enrique Elsaca Hirmas (LATAM Senior Management)

CEO:

Juan Pablo Arias (LATAM Senior Management)

Subsidiaries of Inversiones Lan S.A. and holdings

- **Andes Airport Services S.A.**

Type of Entity: Publicly held company formed in Chile.

Purpose: Comprehensive advisory for companies and service delivery to third parties, such as cargo ground handling, staffing and every other service required. To this end, the company will perform its activities through staff specially hired of its own account or third parties. In general, the company would develop every activity directly or indirectly related to its particular goal of advisory and service delivery to third parties.

Subscribed and paid- in capital: MUS\$2

Stake: 98.00%

Change YoY: 0.00%

% of consolidated assets: 0.00197%

Directors:

Enrique Cueto Plaza (LATAM Senior Management)

Ignacio Cueto Plaza (LATAM Senior Management)

Andrés Osorio Hermansen (LATAM Senior Management)

Roberto Alvo Milosawlewitsch (LATAM Senior Management)

Enrique Elsaca Hirmas (LATAM Senior Management)

INMOBILIARIA AERONAUTICA S.A

Constitution: It was incorporated as a limited liability company, by public deed on August 1st, 1995, granted in the Notary of Gonzalo de la Cuadra Fabres, and registered in the Registry of Commerce of Santiago in page 21,690 numbers 17,549 of 1995 and published in the Official Journal on September 14, 1995.

Purpose: Perform acquisitions and sale of real estate and its rights; the development, planning, sale and construction of real properties and real estate projects; leasing, administration, and any form of real estate development, on its own account or by third parties.

Subscribed and paid- in capital: MUS\$1,147

Net Income: MUS\$1,404

Stake: 100.00%

Change YoY: 0.0%

% of consolidated assets: 0.14%

Chairman of the Board:

Presidente: Enrique Cueto Plaza (LATAM Senior Management)

Directors:

Andrés Osorio Hermansen (LATAM Senior Management)

Armando Valdivieso Montes (LATAM Senior Management)

**LANTOURS DIVISION SERVICIOS
TERRESTRES S.A**

Constitution: It was incorporated as a limited liability company, by public deed on June 22, 1987, granted in the Notary of Raúl Undurraga Laso, in Santiago, and registered in the Registry of Commerce of Santiago in page 13,139 N°8495 of 1987 and published in the Official Journal on July 2, 1987. The company has experienced different profiles, the last one is registered by public deed of August 24, 1999 granted in the Notary don Eduardo Pinto Peralta in Santiago and registered in the Registry of Commerce of Santiago in page 21,042 N°16,759 of 1999 and published in the Official Journal on September 8, 1999.

Purpose: Operation, administration and representation of companies, domestic or international companies or businesses focused on hotels related activities, shipping, airlines and tourism; operation on its own account or by third parties, car leasing; import, export, production, commercialization and distribution on its own account or by third parties, in domestic or international markets any kind or merchandise, being raw materials, inputs or finished products.

Subscribed and paid- in capital: MUS\$235
Net Income: MUS\$2,341
Stake: 100.00%
Change YoY: 0.00%
% of consolidated assets: 0.00%

Directores:

Andrés del Valle Eitel (LATAM Senior Management)
 Armando Valdivieso Montes (LATAM Senior Management)
 Andrés Osorio Hermansen (LATAM Senior Management)

CEO:

Sandra Espinoza Gerard

**Subsidiary of Lantours División Servicios
Terrestres S.A. and holdings**

- *Lantours División Servicios Terrestres II S.A.*

Type of Entity: Publicly held company formed in Chile.

Purpose: Operation, administration and representation of companies, domestic or international companies or businesses focused on hotels related activities, shipping, airlines and tourism in general; the intermediation of tourist services such as: (a) seats reservations and tickets sales of all kinds of domestic means of transport, (b) reservation, acquisition and sale of accommodation and tourist services, tickets to every kind of shows, museums, monuments and protected areas in the country, (c) organization, promotion and sale of tourism packages, this being understood as a set of tourist services (maintenance, transport, accommodation, etc.), adjusted or projected in relation to customers' needs, at a preset price, to be operated within the national territory, (d) air tourist, ground, maritime and river transport within the national territory; (e) leasing and charter of aircrafts, ships, buses, trains and other means of transport for the delivery of tourist services; (f) every other issue related directly or indirectly to the delivery of the aforementioned services.

Subscribed and paid- in capital: MUS\$235
Stake: 99.99%
Change YoY: 0.00%
% of consolidated assets: 0.00050%

Directores:

Armando Valdivieso Montes (LATAM Senior Management)
 Andrés del Valle Eitel (LATAM Senior Management)
 Damián Scokin (LATAM Senior Management)

CEO:

Sandra Espinoza Gerard

LAN PAX GROUP S.A

Constitution: It was incorporated as a limited liability company, by public deed on September 27, Se 2001, granted in the Notary of don Patricio Zaldivar Mackenna in Santiago, and registered in the Registry of Commerce of Santiago in page 25,636 N° 20,794 of October 04, 2001 and published in the Official Journal on October 6, 2001.

Purpose: Make investments of every kind of goods, which might be movable or immovable, tangible or intangible. Besides, the Company might enter into other type of companies, of any kind; acquire rights in already formed companies, manage, modify or wind up them. In general, the entity may acquire and sale every kind of goods and operate them, on its own account or third parties, and also to perform every kind of acts and enter into any type of contracts related to its purpose. Exercise the development and operation of every activity related to its corporate purpose and/ or those related, liked or supplementary to it.

Subscribed and paid- in capital: MUS\$424
Net Income: MUS\$(35,181)
Stake: 100.00%
Change YoY: 0.00%
% of consolidated assets: 0.00%

Chairman of the Board:

Ignacio Cueto Plaza (LATAM Senior Management)

Directores:

Andrés del Valle (LATAM Senior Management)
 Enrique Elsaca Hirmas (LATAM Senior Management)

CEO:

Andrés del Valle Eitel (LATAM Senior Management)

Subsidiaries of Lan Pax Group S.A. and holdings
- *Inversora Cordillera S.A. y filiales*

Type of Entity: Publicly held company formed in Argentina.

Purpose: Make investments on its own account or by third parties, in other joint-stock companies, for whatever purpose, constituted or to be constituted, within or outside the territory of the Republic of Argentina, through the acquisition, constitution or sale of shares, stocks, quotas, bonds, options, negotiable obligations, convertibles or non-convertible, other transferable securities or other forms of investments allowed, according to the current regulations, whether the objective is to hold them in portfolio or to sell all or part of them. To that end, the company might perform every operation not forbidden by law to achieve its business purpose and holds full legal capacity to acquire rights, contract obligations and to exercise the acts not forbidden by law or its bylaws.

Subscribed and paid- in capital: MUS\$78,066

Stake: 95.78%

Change YoY: 0.00%

% of consolidated assets: 0.13504%

Directors:

Manuel Maria Benites

Jorge Luis Perez Alati

Ignacio Cueto Plaza

Senior Management:

Manuel Maria Benites

Jorge Luis Perez Alati

Rosario Altgelt

María Marta Forcada

Facundo Rocha Gonzalo Perez Corral

Nicolás Obejero

Norberto Díaz

- *Lantours S.A.*

Type of Entity: Publicly held company formed in Argentina.

Purpose: Perform on its own account or by third parties and/ or partnered with third parties, in the country and/ or abroad, the following activities and operations: A) COMMERCIALS: Perform, intervene, develop or design every kind of operations and activities that involve the sale of flight, ground, river or ocean tickets, at both domestic and international markets, or any other service related with the tourism industry in general. The aforementioned services might be performed on its own account or by third parties, by mandate, commission, using systems or methods useful for that end, who might be hand-operated, mechanic, electronic, by phone, or Internet, or any other adequate technology. The Company might perform concurring or related activities to the aforementioned purpose, such as the purchase-sale, import, export and re-export, franchising and representation of every type of goods, services, “know-how” and technology, directly or indirectly linked with the purpose described above; commercialize by any way or title the technology it requires; develop, distribute, promote and commercialize any type of contents for media outlets of any kind. B) TOURISM: In the performance of every kind of activities related to the tourism and hotels industry, as a responsible operator or operator of service provider to third parties or as travel agent. Planning exchange programs, tourism, field trips and tours; intermediation and reservation of services by any means of transport in the country or abroad and ticket sales; intermediation in contracting accommodation services in the country or abroad; the booking of hotels, motels, touristic flats and other touristic services; trips organization for individuals or groups, field trips or similar in the country or abroad; reception and assistance of tourists during their trips and in—country stay, delivery of tourist guide services and baggage handling; representation of other travel agencies and tourism, companies, or tourism

institutions both national and international, to deliver any of these services on its account. C) CLIENT: By means of the acceptance, performance and granting of representations, concessions, commissions agencies and mandates in general. D) CONSULTANCY: Performance of consultancy services, advisory and administration of every service related to the organization, installation, attention, development, support and promotion to companies related with the aerocommercial activity, in these fields: administration, industrial, commercial, technical, advertising, service to be delivered by professionals qualified according to the regulations in place and the provision of organization and administration systems, monitoring, maintenance and surveillance of the adequate staff and specially trained to perform such duties. E) FINANCIAL: Through participation in other companies formed or to be formed in the future, through the stock acquisition in companies already constituted or through the incorporation of companies, through the granting of credits, loans, cash advances with or without collaterals, granting of guarantees or sureties in favor or third parties; the placement of funds in foreign currency, gold or foreign exchange, or in bank deposits of any kind. The company holds full legal capacity to act in every way not forbidden by law or bylaws, and even to contract debt either public or publicly though the issuance of debentures and negotiable obligations and the performance of any kind of financial operations with the exception of the ones included in the Law 21,526 and any other required by public deed.

Subscribed and paid- in capital: MUS\$2,042

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: -0.00519%

Directors:

Nicolas Obejero

Diego Alejandro Martínez

Senior Management:

Rosario Altgelt
 María Marta Forcada
 Facundo Rocha
 Gonzalo Perez Corral
 Nicolás Obejero
 Norberto Díaz

- *Atlantic Aviation Investments LLC*

Type of Entity: Limited Liability Company formed in the United States

Purpose: Every lawful business that the company can undertake.

Subscribed and paid- in capital: MUS\$1

Stake: 99.00%

Change YoY: 0.00%

% of consolidated assets: 0.00362%

Directores:

Andrés del Valle Eitel
 Andrés Osorio Hermansen

Senior Management

Andrés del Valle (LATAM Senior Management)
 Andrés Osorio (LATAM Senior Management)
 Pilar Duarte

- *Akemi Holdings S.A.*

Type of Entity: Publicly held company formed in Panamá.

Purpose: The corporate purposes of the company are to establish, process and to carry out the businesses of an investment company in any place worldwide, buy, sale and negotiate any kind of consumer products, capital stocks, bonds and securities of all kinds, buy, sale, lease or any other way to acquire or dispose movable or immovable assets, invest in any industrial or commercial business, both controlling or just shareholders, receive and bring money as a loan, with or without collateral, pact, celebrate, comply with and celebrate all kind of contracts, become

guarantor or guarantee the compliance and observance of any contract, carry out any lawful business not forbidden to a publicly held company, and perform any of the things that precede as fundamental, agents or any other representative aspect.

Subscribed and paid- in capital: MUS\$0

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.00000%

Directors:

Edith O. de Bocanegra
 Barbara de Rodriguez
 Luis Alberto Rodriguez

Senior Management:

Luis Alberto Rodriguez
 Barbara de Rodriguez

- *Saipan Holdings S.A.*

Type of Entity: Publicly held company formed in Panama.

Purpose: The corporate purposes of the company are to establish, process and to carry out the businesses of an investment company in any place worldwide, buy, sale and negotiate any kind of consumer products, capital stocks, bonds and securities of all kinds, buy, sale, lease or any other way to acquire or dispose movable or immovable assets, invest in any industrial or commercial business, both controlling or just shareholders, receive and bring money as a loan, with or without collateral, pact, celebrate, comply with and celebrate all kind of contracts, become guarantor or guarantee the compliance and observance of any contract, carry out any lawful business not forbidden to a publicly held company, and perform any of the things that precede as fundamental, agents or any other representative aspect.

Subscribed and paid- in capital: MUS\$0

Stake: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.00000%

Directors:

Edith O. de Bocanegra
 Barbara de Rodriguez
 Luis Alberto Rodriguez

Senior Management:

Luis Alberto Rodriguez
 Barbara de Rodriguez

- *Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.*

Type of Entity: Publicly held company formed in Ecuador.

Purpose: Air passenger, cargo and mail transport on a combined basis.

Subscribed and paid- in capital: MUS\$1,000

Stake: 55.00%

Change YoY: 0.00%

% of consolidated assets: 0.05440%

Directors:

Antonio Stagg
 Manuel Van Oordt
 Mariana Villagómez

Senior Management:

Maximiliano Naranjo
 Javier Macías

CEO:

Maximiliano Naranjo

- **Rampas Andes Airport Services S.A. and subsidiaries**

Type of Entity: Publicly held company formed in Ecuador.

Purpose: Air passenger, cargo and mail transport on a combined basis.

Subscribed and paid-in capital: MUS\$6,001

Stake: 99.875%

Change YoY: 0.00%

% of consolidated assets: 0.04270%

Senior Management:

Ricardo Cadena

- **Hodco Ecuador S.A**

Type of Entity: Publicly held company formed in Chile.

Purpose: Perform any kind of investments with the purpose to obtain an income, in tangible or intangible assets, movable or immovable, being in Chile or abroad.

Stake: 99.999%

Change YoY: 0.0%

% of consolidated assets: 0.00000%

Directors:

Antonio Stagg

Manuel Van Oordt

Mariana Villagómez

CEO:

Cristián Toro Cañas (LATAM Senior Management)

- **Aerovías de Integración Regional, Aires S.A.**

Type of Entity: Publicly held company formed in Colombia.

Objeto: The corporate purpose of the company is the operation of air commercial transport services, national and international, in any of their forms, and therefore, enter into and execute passenger transport contracts, also goods and baggage, mail and cargo in general, according to the operation permissions issued by the *Unidad Administrativa Especial de la Aeronáutica Civil* (Special Administrative Unit of Civil Aeronautics), or the responsible entity in the future, thus agreeing with the regulations contained in the *Código de Comercio* (Code of Commerce), los *Reglamentos Aeronáuticos de Colombia* (Aeronautic Regulations of Colombia) and any other rule related to the subject. Likewise, the delivery of maintenance service and adequacy of the equipment related to the operation of air transport services, in or outside the country. To fulfill this objective, the company will be authorized to invest in other companies, national or foreign, company with the same, similar or supplementary purpose.

To fulfill its corporate purpose, the company may, among others: (a) carry out the revision, inspection, maintenance and/ or repair of its own or third party aircrafts, and also their parts and accessories, through the Aeronautic Repair Workshops of the Company, thus performing the necessary training; (b) organize, constitute and invest in commercial transport companies in Colombia or abroad, to operate industrial or commercially the economic activity of its purpose, therefore the company is enabled to acquire under any legal title the aircrafts, parts and accessories of any kind, required for air and public transport and sell them, and to build and operate workshops for the maintenance and repair of aircrafts; (c) enter into leasing, charter, share codes, location and other related to aircrafts contracts to carry out its corporate purpose; (d) operate regular airlines of passengers, cargo, mail and securities, and also the vehicle that allows to coordinate the development of the social management; (e) integrate with companies alike, similar or supplementary to operate its activity; (f) accept national or international representations

of services from the same industry or supplementary industries; (g) acquire movable or immovable goods for the development of its social objectives, build these facilities or constructions, such as warehouses, offices, etc., dispose or tax them; (h) make the import and export activities, and every other foreign trade operations required; (i) perform time deposits and grant real personal and bank collaterals, for its own and for third parties; (j) celebrate any type of operations with securities, such as the purchase and sale of third party obligations when they provide an economic or patrimonial benefit of the company, and contract debt through bonds or debt securities; (k) engage with third parties the administration and operation of the businesses meant for accomplish its corporate purpose; (l) enter into contracts and buy shares or participations in the operating companies, national or abroad; make contributions to one and others, (m) merge with other companies and associate with entities alike in order to promote the development or air transport or with other purposes related with trade associations; (n) promote, provide technical assistance, finance or manage companies or entities related with the corporate purpose; (ñ) celebrate or execute all type of civil, industrial, financial or commercial related with the corporate purpose; (o) celebrate businesses and carry out activities that bring customers, and obtain from the relevant authorities the authorizations and licenses required to deliver the service; (p) develop and operate other activities resulting from the social objective and/ or linked, connected or supplementary to the latter, including the delivery of tourist services under any form allowed by law such as travel agencies; (q) attend every business or lawful activity, being related to commerce or not, only if its related to its social objective or if it allows the more rational operation of public service; and (r) perform investment of any kind to use funds and reserves in compliance with the law or the bylaws.

Subscribed and paid- in capital: MUS\$3,388

Stake: 99.017%

Change YoY: 0.00%

% of consolidated assets: 0.33637%

Directors:

Jorge Nicolas Cortazar Cardoso
 Jaime Antonio Gongora Esguerra
 Fernando García Poitevin. Suplente
 Jorgue Enrique Cortazar Garcia
 Alberto Davila Suarez

- *Lan Argentina S.A (Subsidiary of Inversora Cordillera S.A)*

Type of Entity: Publicly held company formed in Argentina.

Purpose: Perform any kind of investments with the purpose to obtain an income, in tangible or intangible assets, movable or immovable, being in Argentina or abroad.

Subscribed and paid- in capital: MUS\$74,339

Stake: 99.00%

Change YoY: 0.00%

% of consolidated assets: 0.15685%

Directores:

Manuel Maria Benites
 Jorge Luis Perez Alati
 Ignacio Cueto Plaza (Ejecutivo LATAM)

Senior Management:

Manuel María Benites
 Jorge Luis Perez Alati
 Rosario Altgelt
 María Marta Forcada
 Facundo Rocha
 Gonzalo Perez Corral
 Nicolás Obejero
 Norberto Diaz

TECHNICAL TRAINING LATAM S.A.

Constitution: It was incorporated as publicly held company by public deed on December 23, 1997 in Santiago, Chile, and registered in the Registry of Commerce of Santiago in page 878 numbers 675 of 1998.

Purpose: Its company purpose is to deliver services such as technical training and other type of services related to the latter.

Subscribed and paid- in capital: MUS\$753

Net Income: MUS\$(72)

Participación: 100.00%

Change YoY: 0.00%

% of consolidated assets: 0.01%

Chairman of the Board:

Enrique Elsaca (LATAM Senior Management)

Directors:

Sebastián Acuto

Fernando Andrade

CEO:

Alejandra Jara Hernández

Financial Statements Subidiaries

TAM S.A.

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	1,335,337	1,920,909
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	<u>277</u>	<u>407</u>
Total current assets	1,335,614	1,921,316
Total non-current assets	<u>3,360,939</u>	<u>4,896,382</u>
TOTAL ASSETS	<u>4,696,553</u>	<u>6,817,698</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	1,963,400	2,279,110
Total non-current liabilities	<u>2,235,823</u>	<u>3,530,419</u>
Total liabilities	<u>4,199,223</u>	<u>5,809,529</u>
EQUITY		
Equity attributable to controller's owners	423,190	912,639
Non-controlling interest	<u>74,140</u>	<u>95,530</u>
Total equity	<u>497,330</u>	<u>1,008,169</u>
TOTAL LIABILITIES AND EQUITY	<u>4,696,553</u>	<u>6,817,698</u>

Consolidated Statement of Income by Func@on	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary acEviEes	4,597,612	6,588,741
Gross Income	599,784	1,238,846
Profit (loss) before tax	(272,206)	356,613
Income tax expenses	<u>126,008</u>	<u>(146,092)</u>
PROFIT (LOSS) OF THE PERIOD	<u>(146,198)</u>	<u>210,521</u>
Profit (loss) of the period aNributable to:		
Controller's owners	(183,912)	171,655
Non-controlling interest	<u>37,714</u>	<u>38,866</u>
Profit (loss) of the period	<u>(146,198)</u>	<u>210,521</u>

Consolidated Statements of Comprehensive Income	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
PROFIT (LOSS) OF THE PERIOD	(146,198)	210,521.
Other Comprehensive income	<u>(347,490)</u>	<u>(208,953)</u>
Total comprehensive income	<u>(493,688)</u>	<u>1,568</u>
Total comprehensive income aNributable to:		
Controller's owners	(472,217)	2,060
Non-controlling interest	<u>(21,471)</u>	<u>(492)</u>
TOTAL COMPREHENSIVE INCOME	<u>(493,688)</u>	<u>1,568</u>

Statement of Changes in Equity	Equity atributable to controlling owners MUS\$	Non-controlling interest MUS\$	Total Equity MUS\$
Equity as of 1 January 2014	617,039	94,748	711,787
Total comprehensive income	5,764	38,374	44,138
Issue of Equity	250,000	-	250,000
Dividends	-	(34,962)	(34,962)
Other increases (decreases) in equity	<u>39,836</u>	<u>(2,630)</u>	<u>37,206</u>
Closing balance at 31 December 2014	<u>912,639</u>	<u>95,530</u>	<u>1,008,169</u>
Equity as of 1 January 2015	912,639	95,530	1,008,169
Total comprehensive income	(528,218)	16,243	(511,975)
Dividends	-	(34,623)	(34,623)
Other increases (decreases) in equity	<u>38,769</u>	<u>(3,010)</u>	<u>35,759</u>
Closing balance at 31 December 2015	<u>423,190</u>	<u>74,140</u>	<u>497,330</u>
		For the 12 months period ended as of	
		2015	2014
Consolidated Statement of Cash Flow - Direct Method		MUS\$	MUS\$
Net cash flows from (used in) operations		713,435	339,699
Net cash flows from (used in) investment activities		(244,750)	65,690
Net cash flows from (used in) financing activities		<u>(335,088)</u>	<u>(575,519)</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations		133,597	(170,130)
Effect of exchange rates variations on cash and cash equivalents		(49,381)	(62,433)
Cash and equivalents at the end of period		220,021	135,805

LAN CARGO S.A.
 (Closed joint stock company)

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	164,412	311,741
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	<u>85</u>	<u>85</u>
Total current assets	164,497	311,826
Total non-current assets	<u>546,687</u>	<u>550,576</u>
TOTAL ASSETS	<u>711,184</u>	<u>862,402</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	185,162	186,789
Total non-current liabilities	<u>152,958</u>	<u>219,470</u>
Total liabilities	<u>338,120</u>	<u>406,259</u>
EQUITY		
Equity attributable to controller's owners	371,236	455,700
Non-controlling interest	<u>1,828</u>	<u>443</u>
EQUITY	<u>373,064</u>	<u>456,143</u>
TOTAL LIABILITIES AND EQUITY	<u>711,184</u>	<u>862,402</u>

Consolidated Statement of Income by Function	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary activities	788,019	912,792
Gross Income	(90,201)	(141,480)
Profit (loss) before tax	(88,244)	(106,717)
Income tax expenses	<u>26,912</u>	<u>3,130</u>
PROFIT (LOSS) OF THE PERIOD	<u>(61,332)</u>	<u>(103,587)</u>
Profit (loss) of the period attributable to:		
Controller's owners	(62,701)	(103,285)
Non-controlling interest	<u>1,369</u>	<u>(302)</u>
Profit (loss) of the period	<u>(61,332)</u>	<u>(103,587)</u>

Consolidated Statements of Comprehensive Income	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
PROFIT (LOSS) OF THE PERIOD	(61,332)	(103,587)
Other Comprehensive income	<u>(2,936)</u>	<u>(1,732)</u>
Total comprehensive income	<u>(64,268)</u>	<u>(105,319)</u>
Total comprehensive income attributable to:		
Controller's owners	(65,634)	(105,017)
Non-controlling interest	<u>1,366</u>	<u>(302)</u>
TOTAL COMPREHENSIVE INCOME	<u>(64,268)</u>	<u>(105,319)</u>

Statement of Changes in Equity	Equity atributable to controlling owners MUS\$	Non-controlling interest MUS\$	Total Equity MUS\$
Equity as of 1 January 2014	577,948	1,892	579,840
Total comprehensive income	(105,017)	(302)	(105,319)
Other increases (decreases) in equity	<u>(17,231)</u>	<u>(1,147)</u>	<u>(18,378)</u>
Closing balance at 31 December 2014	<u>455,700</u>	<u>443</u>	<u>456,143</u>
Equity as of 1 January 2015	455,700	443	456,143
Total comprehensive income	(65,634)	1,366	(64,268)
Other increases (decreases) in equity	<u>(18,830)</u>	<u>19</u>	<u>(18,811)</u>
Closing balance at 31 December 2015	<u>371,236</u>	<u>1,828</u>	<u>373,064</u>

Consolidated Statement of Cash Flow - Direct Method	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Net cash flows from (used in) operating activities	99,073	40,582
Net cash flows from (used in) investment activities	(50,264)	526,442
Net cash flows from (used in) financing activities	<u>(51,021)</u>	<u>(567,398)</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	(2,212)	(374)
Effect of exchange rates variations on cash and cash equivalents	(4)	(2)
Cash and equivalents at the end of period	17,646	19,862

Consolidated Statement of Income by Function	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary activities	1,078,992	1,134,289
Gross Income	180,829	142,420
Profit (loss) before tax	7,237	4,636
Income tax expenses	<u>(2,169)</u>	<u>(3,578)</u>
PROFIT (LOSS) OF THE PERIOD	<u>5,068</u>	<u>1,058</u>

Statement of Changes in Equity	Equity Issued MUS\$	Legal Reserve MUS\$	Retained earnings MUS\$	Total equity MUS\$
Equity as of 1 January 2014	4,341	868	6,198	11,407
Total comprehensive income	-	-	1,058	1,058
Dividends	-	-	<u>(1,390)</u>	<u>(1,390)</u>
Closing balance at 31 December 2014	<u>4,341</u>	<u>868</u>	<u>5,866</u>	<u>11,075</u>
Equity as of 1 January 2015	4,341	868	5,866	11. 075
Total comprehensive income	-	-	5,068	5,068
Dividends	-	-	<u>(1,390)</u>	<u>(1,390)</u>
Closing balance at 31 December 2015	<u>4,341</u>	<u>868</u>	<u>9,544</u>	<u>14,753</u>

Consolidated Statement of Cash Flow - Direct Method	For the 12 months period ended as of	
	2015	2014
	MUS\$	MUS\$
Net cash flows from (used in) operating activities	(7,044)	(76,147)
Net cash flows from (used in) investment activities	(1,164)	(1,323)
Net cash flows from (used in) financing activities	<u>9,099</u>	<u>24,132</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	891	(53,338)
Cash and equivalents at the end of period	118,377	117,486

INVERSIONES LAN S.A.
 (Closed joint stock company)

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS\$
<hr/>		
Consolidated Classified Statement of Financial Position		
<hr/>		
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	6,292	4,969
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	<u>572</u>	<u>572</u>
Total current assets	6,864	5,541
Total non-current assets	<u>9,648</u>	<u>10,494</u>
TOTAL ASSETS	<u>16,512</u>	<u>16,035</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	13,380	13,560
Total non-current liabilities	<u>1,296</u>	<u>1,186</u>
Total liabilities	<u>14,676</u>	<u>14,746</u>
EQUITY		
Equity attributable to controller's owners	1,828	1,272
Non-controlling interest	<u>8</u>	<u>17</u>
TOTAL LIABILITIES AND EQUITY	<u>16,512</u>	<u>16,035</u>

Consolidated Statement of Income by Function	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary activities	32,366	32,821
Gross Income	5,371	5,846
Profit (loss) before tax	3,200	(3,986)
Income tax expenses	<u>(402)</u>	<u>(551)</u>
PROFIT (LOSS) OF THE PERIOD	<u>2,798</u>	<u>(4,537)</u>
Profit (loss) of the period attributable to:		
Controller's owners	2,772	(4,546)
Non-controlling interest	<u>26</u>	<u>9</u>
Profit (loss) of the period	<u>2,798</u>	<u>(4,537)</u>
<hr/>		
Consolidated Statements of Comprehensive Income	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
PROFIT (LOSS) OF THE PERIOD	2,798	(4,537)
Other Comprehensive income	<u>(201)</u>	<u>(47)</u>
Total comprehensive income	<u>2,597</u>	<u>(4,584)</u>
Total comprehensive income attributable to:		
Controller's owners	2,598	(4,592)
Non-controlling interest	<u>(1)</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME	<u>2,597</u>	<u>(4,584)</u>

Statement of Changes in Equity	Equity atributable to controlling owners MUS\$	Non-controlling interest MUS\$	Total Equity MUS\$
Equity as of 1 January 2014	6,421	8	6,429
Total comprehensive income	(4,592)	8	(4,584)
Dividends	(627)	-	(627)
Other increases (decreases) in equity	<u>70</u>	<u>1</u>	<u>71</u>
Closing balance at 31 December 2014	<u>1,272</u>	<u>17</u>	<u>1,289</u>
Equity as of 1 January 2015	1,272	17	1,289
Total comprehensive income	2,598	(1)	2,597
Dividends	(450)	-	(450)
Other increases (decreases) in equity	<u>(1,592)</u>	<u>(8)</u>	<u>(1,600)</u>
Closing balance at 31 December 2015	<u>1,828</u>	<u>8</u>	<u>1,836</u>

Consolidated Statement of Cash Flow - Direct Method	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Net cash flows from (used in) operaEng activities	608	327
Net cash flows from (used in) investment activities	(41)	(4)
Net cash flows from (used in) financing activities	<u>444</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	64	(4)
Cash and equivalents at the end of period	1,601	526

INMOBILIARIA AERONAUTICA S.A.
(Closed joint stock company)

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS
<u>Consolidated Classified Statement of Financial Position</u>		
ASSETS		
Total current assets	1,978	1,475
Total non-current assets	<u>37,324</u>	<u>38,445</u>
TOTAL ASSETS	<u>39,302</u>	<u>39,920</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	5,003	6,642
Total non-current liabilities	<u>9,829</u>	<u>10,212</u>
Total liabilities	<u>14,832</u>	<u>16,854</u>
EQUITY		
Total equity	<u>24,470</u>	<u>23,066</u>
TOTAL LIABILITIES AND EQUITY	<u>39,302</u>	<u>39,920</u>

Consolidated Statement of Income by Func@on	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary activities	3,961	4,352
Gross Income	2,071	2,686
Profit (loss) before tax	1,146	2,527
Income tax expenses	<u>258</u>	<u>(621)</u>
PROFIT (LOSS) OF THE PERIOD	<u>1,404</u>	<u>1,906</u>

Consolidated Statements of Comprehensive Income	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
PROFIT (LOSS) OF THE PERIOD	<u>1,404</u>	<u>1,906</u>
Total comprehensive income	<u>1,404</u>	<u>1,906</u>

Statement of Changes in Equity	Equity Issue MUS\$	Retained Earnings MUS\$	Total Equity MUS\$
Equity as of 1 January 2014	1,147	25,282	26,429
Total comprehensive income	-	(740)	(740)
Other increases (decreases) in equity	=	<u>(2,623)</u>	<u>(2,623)</u>
Closing balance at 31 December 2014	<u>1,147</u>	<u>21,919</u>	<u>23,066</u>
Equity as of 1 January 2015	1,147	21,919	23,066
Total comprehensive income	-	<u>1,404</u>	<u>1,404</u>
Closing balance at 31 December 2015	<u>1,147</u>	<u>23,323</u>	<u>24,470</u>

Consolidated Statement of Cash Flow - Direct Method	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Net cash flows from (used in) operating activities	3,596	(2,086)
Net cash flows from (used in) investment activities	(41)	(2,098)
Net cash flows from (used in) financing activities	<u>(2,586)</u>	-
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	969	(12)
Effect of exchange rates variations on cash and cash equivalents	(20)	(17)
Cash and equivalents at the end of period	949	-

LANTOURS DIVISION SERVICIOS TERRESTRES S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS\$
ASSETS		
Total current assets	5,489	3,056
Total non-current assets	<u>124</u>	<u>173</u>
TOTAL ASSETS	<u>5,613</u>	<u>3,229</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	5,516	2,283
Total non-current liabilities	<u>6</u>	<u>6</u>
Total liabilities	<u>5,522</u>	<u>2,289</u>
EQUITY		
Total equity	<u>91</u>	<u>940</u>
TOTAL LIABILITIES AND EQUITY	<u>5,613</u>	<u>3,229</u>

Consolidated Statement of Income by Function	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary acEviEes	12,399	10,710
Gross Income	7,714	6,813
Profit (loss) before tax	3,345	2,509
Income tax expenses	<u>(1,004)</u>	<u>(435)</u>
PROFIT (LOSS) OF THE PERIOD	<u>2,341</u>	<u>2,074</u>

Consolidated Statements of Comprehensive Income	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
PROFIT (LOSS) OF THE PERIOD	<u>2,341</u>	<u>2,074</u>
Total comprehensive income	<u>2,341</u>	<u>2,074</u>

Statement of Changes in Equity	Equity Issue MUS\$	Retained earnings MUS\$	Total equity MUS\$
	Equity as of 1 January 2014	225	287
Total comprehensive income	-	2,078	2,078
Dividends	-	<u>(1,650)</u>	<u>(1,650)</u>
Closing balance at 31 December 2014	<u>225</u>	<u>715</u>	<u>940</u>
Equity as of 1 January 2015	225	715	940
Total comprehensive income	10	3,056	2,351
Dividends	-	<u>(3,200)</u>	<u>(3,200)</u>
Closing balance at 31 December 2015	<u>225</u>	<u>(144)</u>	<u>91</u>

Consolidated Statement of Cash Flow - Direct Method	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Net cash flows from (used in) operating activities	3,207	2,027
Net cash flows from (used in) investment activities	3,190	(17)

LAN PAX GROUP S.A.
(Closed joint stock company)

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets	302,304	343,304
Total non-current assets	<u>217,359</u>	<u>296,716</u>
TOTAL ASSETS	<u>519,663</u>	<u>640,020</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	352,056	390,914
Total non-current liabilities	<u>697,176</u>	<u>674,243</u>
Total liabilities	<u>1,049,232</u>	<u>1,065,157</u>
EQUITY		
Equity atributable to controller's owners	(528,769)	(426,016)
Non-controlling interest	<u>(800)</u>	<u>879</u>
Total equity	<u>(529,569)</u>	<u>(425,137)</u>
TOTAL LIABILITIES AND EQUITY	<u>519,663</u>	<u>640,020</u>

Consolidated Statement of Income by Function	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Revenues from ordinary activities	988,081	1,095,242
Gross Income	168,193	166,660
Profit (loss) before tax	(45,960)	(113,085)
Income tax expenses	<u>10,779</u>	<u>(7,654)</u>
PROFIT (LOSS) OF THE PERIOD	<u>(35,181)</u>	<u>(120,739)</u>
Profit (loss) of the period attributable to:		
Controller's owners	(35,187)	(114,511)
Non-controlling interest	<u>6</u>	<u>(6,228)</u>
Profit (loss) of the period	<u>(35,181)</u>	<u>(120,739)</u>

Consolidated Statements of Comprehensive Income	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
PROFIT (LOSS) OF THE PERIOD	(35,181)	(120,739)
Other Comprehensive income	<u>(71,840)</u>	<u>(43,298)</u>
Total comprehensive income	<u>(107,021)</u>	<u>(164,037)</u>
Total comprehensive income attributable to:		
Controller's owners	(104,941)	(157,315)
Non-controlling interest	<u>(2,080)</u>	<u>(6,722)</u>
TOTAL COMPREHENSIVE INCOME	<u>(107,021)</u>	<u>(164,037)</u>

Statement of Changes in Equity	Equity atributable to controller's owners MUS\$	Non-controlling interests MUS\$	Total Equity MUS\$
Equity as of 1 January 2014	(246,521)	(13,741)	(260,262)
Total comprehensive income	(157,315)	(6,722)	(164,037)
Other increases (decreases) in equity	<u>(22,180)</u>	<u>21,342</u>	<u>(838)</u>
Closing balance at 31 December 2014	<u>(426,016)</u>	<u>879</u>	<u>(425,137)</u>
Equity as of 1 January 2015	(426,016)	879	(425,137)
Total comprehensive income	(104,941)	(2,080)	(107,021)
Other increases (decreases) in equity	<u>2,188</u>	<u>401</u>	<u>2,589</u>
Closing balance at 31 December 2015	<u>(528,769)</u>	<u>(800)</u>	<u>(529,569)</u>

Consolidated Statement of Cash Flow - Direct Method	For the 12 months period ended as of	
	2015 MUS\$	2014 MUS\$
Net cash flows from (used in) operations	26,664	(12,710)
Net cash flows from (used in) investment activities	(108,757)	(53,535)
Net cash flows from (used in) financing activities	<u>81,527</u>	<u>96,340</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange rate variations	(566)	30,095
Effect of exchange rate variations on cash and cash equivalents	3,774	(77)
Cash and equivalents at the end of period	89,736	86,528

TECHNICAL TRAINING LATAM S.A.
(Limited liability Company)

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets	1,347	1,387
Total non-current assets	<u>180</u>	<u>273</u>
TOTAL ASSETS	<u>1,527</u>	<u>1,660</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	266	263
Total non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>266</u>	<u>263</u>
EQUITY		
Equity attributable to controller's owners	<u>1,261</u>	<u>1,397</u>
Total equity	<u>1,261</u>	<u>1,397</u>
TOTAL LIABILITIES AND EQUITY	<u>1,527</u>	<u>1,660</u>

Consolidated Statement of Income by Function	For the period Ended as of December 31 2015 MUS\$	For the period between November 26 to December 31 2014 MUS\$
Revenues from ordinary activities	1,626	171
Gross Income	1,866	3
Profit (loss) before tax	(22)	(26)
Income tax expenses	<u>50</u>	<u>(23)</u>
PROFIT (LOSS) OF THE PERIOD	<u>(72)</u>	<u>(49)</u>
Profit (loss) of the period attributable to:		
Controller's owners	(72)	(49)
Non-controlling interest	<u>-</u>	<u>-</u>
Profit (loss) of the period	<u>(72)</u>	<u>49</u>

Statement of Changes in Equity	Equity Issue MUS\$	Retained earnings MUS\$	Total equity MUS\$
Equity as of November 26 2014	881	564	1,445
Total comprehensive income	<u>-</u>	<u>(68)</u>	<u>(68)</u>
Closing balance at 31 December 2014	<u>881</u>	<u>496</u>	<u>1,377</u>
Equity as of 1 January 2015	881	496	1,377
Total comprehensive income	<u>-</u>	<u>(72)</u>	<u>(72)</u>
Closing balance at 31 December 2015	<u>881</u>	<u>424</u>	<u>1305</u>

Consolidated Statement of Cash Flow - Direct Method	For the period Ended as of December 31 2015 MUS\$	For the period between November 26 to December 31 2014 MUS\$
Net cash flows from (used in) operating activities	89	281
Net cash flows from (used in) investment activities	-	-
Net cash flows from (used in) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	89	281
Effect of exchange rates variations on cash and cash equivalents	6	1
Cash and equivalents at the beginning of period	384	168
Cash and equivalents at the end of period	479	450

LATAM AIRLINES GROUP RESULTS

Comparative analysis and explanation of the main trends:

1. Consolidated Statement of Financial Position

As of December 31, 2015 Total Assets of the Company reached US\$ 18,101,418 thousand, compared to December 31, 2014, and represented a decrease of US\$ 2,383,010 thousand, equivalent to 11.6%.

Current assets of the Company dropped by US\$ 811,721 thousand (22.3%) compared to year-end 2014. Main reductions were in the following items: Cash and cash equivalents, with a US\$ 235,899 thousand drop (23.8%); Commercial debtors and other accounts receivables, with US\$ 581,861 thousand decrease (42.2%); Current inventories, with US\$ 41,131 thousand drop (15.5%) and Assets on current taxes fell US\$ 36,693 thousand (36.4%). The items mentioned above were slightly compensated by the growth of Other Non-Current Financial Assets in US\$ 82,145 thousand (33.1%).

Liquidity index of the Company decreased from 0.62 times at year-end 2014 to 0.50 times on December 2015. Current Assets declined 22.3% and Current Liabilities decreased 3.2%. In addition, the Acid Test ratio decreased from 0.17 times at year-end 2014 to 0.13 times at year-end 2015.

Non-Current Assets of the Company decreased US\$ 1,571,289 thousand (9.3%) compared to year-end 2014. Main reductions were in the following items: Capital Gains of US\$ 1,032,826 thousand (31.2%), Intangible Assets other than Capital Gains of US\$ 558,654 thousand (29.7%) reduction that is mainly explained by the currency conversion of Brazilian reais into US dollars, Other Non-Financial Assets of US\$ 107,350 thousand (31.3%), Deferred Taxes Assets of US\$ 30,728 thousand (7.5%). All of the above was slightly offset by the increases of these items: Current taxes assets, non-current, increasing US\$ 7,966 thousand (45.1%), Property, plant and equipment increase of US\$ 165,581 thousand (1.5%) originated by the following operations: acquisition of eight Airbus A321 aircrafts, three Boeing 787 aircrafts and one Airbus A350 aircraft, and down payments for the acquisition of aircrafts, among other growths in the period, the positive effect of these movements was offset by the sale of three Airbus A340 aircrafts, seven Bombardier aircrafts, two Airbus A319 aircrafts; the currency conversion of companies whose functional currency is different than US dollar of US\$ (435,300 thousand), which in large part is related to TAM S.A. and Subsidiaries, and depreciation expense as of December 31, 2015 of US\$ (745,519) thousand.

As of December 31, 2015, Total Liabilities of the Company reached US\$ 15,163,870 thousand, which compared to December 31, 2014, showed a US\$ 816,863 thousand decrease, equivalent to (5.1%).

Current liabilities of the Company fell by US\$ 188,758 thousand (3.2%), compared to year-end 2014. Main reductions were in the following items: other non-financial assets of US\$ 195,353 thousand (7.3%), other current provisions of US\$ 9,489 thousand (76.5%) and commercial accounts Payable and other accounts payable of US\$ 5,416 thousand (0.4%). These reductions were offset by the growth of other financial liabilities of US\$ 19,620 thousand (1.2%), which corresponds to the net effect between the decrease of liability positions due to coverage derivatives, the decline of other guaranteed obligations, and the increase of guaranteed obligations related to aircraft acquisitions; and the increase of liabilities due to current taxes of US\$ 1,489 thousand (8.3%).

The current liabilities indebtedness indicator of the Company grew 49.1%, from 1.32 times at year-end 2014, to 1.97 times on December 31, 2015. The effect of Current Liabilities over Total Debt increase 0.7%, from 36.48% at year-end 2014 to 37.20% at the end of this period.

Non-current Liabilities of the Company decreased US\$ 628,105 thousand (6.2%), compared to December 31, 2014. Main variations were in the following items: Other non-current provisions, which declined US\$ 278,643 thousand (39.6%); deferred taxes decrease in US\$ 240,329 thousand (22.8%); these items were mainly impacted by the monetary conversion of Brazilian reais into US dollar, which mostly explains the decrease of those items at year-end 2015. Other items that decline in the period are: commercial accounts payable and Other accounts payable in US\$ 160,404 thousand (27.8%), provisions for employees' benefits of US\$ 8,831 thousand (11.9%), which is slightly compensated the growth of other financial liabilities in US\$ 143,373 thousand (1.9%).

The non-current liabilities indebtedness indicator of the Company increased 44.6%, from 2.31 times on December 31, 2014 to 3.33 times on December 31, 2015. The effect of non-current liabilities over total debt declined 0.7%, from 63.52% at year-end 2014 to 62.80% in December 2015.

The total liabilities indebtedness indicator over equity of the Company grew 46.2%, from 3.63 times at year-end 2014 to 5.31 times at year-end 2015.

As of December 31, 2015, approximately 71% of the debt is covered with rates hedging instruments; therefore the average rate is 3.91%.

Equity attributable to the controlling shareholders decreased US\$ 1,545,361 thousand from US\$ 4,401,896 thousand on December 31, 2014 to US\$ 2,856,535 thousand as of December 31, 2015. The main explanation for this decline is the fall of other reserves (100.5%), mainly due to the negative effect of the variation of reserves due to exchange rate differences in US\$ 1,382,170 thousand, largely explained by the conversion adjustment of capital gains accounted after the business merger of TAM and Subsidiaries, accounted in Brazilian reais, gains/ losses reserves on benefits plans of US\$ 10,717 thousand and other various reserves of US\$ 1,069 thousand. These negative variations were partially offset by the positive variation of reserves from cash flow coverage of US\$60,830 thousand and stock payments of US\$ 6,005 thousand. In addition, retained earnings also decline, mainly explained by the net loss attributable to the controlling shareholders accounted as of December 31, 2015 that amounted to US\$ 219,274 thousand.

2. Consolidated Financial Results

As of December 31, 2015, net loss attributable to controlling shareholders reached US\$ 219,274 thousand, which represents a 99.7% decrease compared to the net loss of US\$ 109,790 thousand of the previous period. Net margin decreased from -0.9% in 2014 to -2.2% in 2015.

Operating income as of December 31, 2015 reached US\$ 513,919 thousand, increasing US\$ 553 thousand compared to the previous year, equivalent to 0.1%, while operating margin reached 5.1%, equivalent to 1.0% growth.

Operating revenues as of December 31, 2015, decreasing 18.8% compared to 2014, reaching US\$ 10,125,826 thousand. This is explained by a 19.0% decline of passenger revenues, and 22.4% fall of cargo revenues, partially offset by the 2.2% growth of other revenues. The impact of the depreciation of Brazilian reais represented lower revenues of approximately US\$ 1,473 million.

Passenger revenues reached US\$ 8,410,614 thousand, which compared to US\$ 10,380,122 thousand accounted in 2014, represents a 19.0% fall. This variation is mainly explained by the 21.4% decrease in RASK due to the 21.1% decline in yields, resulting from the prevailing slowdown of the economies in South America, the local currencies depreciation (particularly the Brazilian reais, the Chilean peso and the Argentinean peso), and the lower business' passengers demand in Brazil. The latter was partially compensated by the 3.0% increase in capacity measured in ASK. Additionally, load factor reached 83.1%, 0.3% less than the previous year.

As of December 2015, cargo revenues reached US\$ 1,329,431 thousand, which represents a 22.4% decrease compared to 2014. The latter is consequence of the 11.8% decline in yields and 12.0% decrease of traffic measured in RTK. Lower yields were the result of the depressed cargo business worldwide, the stronger competition of cargo operators in Latin America and the negative impact of the depreciation of Brazilian reais in the domestic business revenues in Brazil. Additionally, capacity measured in ATK decreased 1.9%.

On the other hand, other revenues increased US\$ 8,136 thousand, mainly attributed to higher revenues coming from aircraft leases to third parties and ground services.

As of December 31, 2015, operating expenses reached US\$ 9,611,907 thousand, representing costs savings of US\$ 2,345,783 thousand, equivalent to a 19.6% decrease compared to the previous year, while the unit cost per ASK-equivalent fell 20.7%. Additionally, the impact of the depreciation of Brazilian reais in this item represents lower costs of approximately US\$ 1,198 million. The variations per item are explained as follows:

a) Wages and Benefits decreased US\$ 277,297 thousand mainly due to the depreciation of Brazilian reais and Chilean peso of 41.6% and 14.6% respectively. Additionally, the average headcount for the period decline 1.1%, in line with the offer reduction in Brazil and the cost savings initiatives carried out by the Company. The latter was partially offset by higher costs related to performance incentives.

b) Fuel costs decreased 36.4%, equivalent to US\$ 1,515,963 thousand lower costs. The latter is consequence of the 40.2% fall of prices without hedging contracts, which was partially compensated by a 0.1% growth of consumption measured in gallons. In 2015, the Company recognized a US\$ 239,430 thousand loss due to fuel hedging, compared to the US\$ 108,771 thousand loss accounted the previous year.

c) Commissions decreased US\$ 62,734 thousand, primarily explained by the decline in sales revenues related to flight tickets.

d) Depreciation and amortization declined US\$ 56,868 thousand, mainly due to the depreciation of Brazilian reais, together with the phase out of six aircrafts from the Airbus A320 family, three aircrafts from the Airbus A330 family, three aircrafts Airbus A340 family, and seven Bombardier Dhc8-200. The latter was offset by the incorporation of fifteen aircrafts from the Airbus A320 family, one Airbus A350 aircraft and seven Boeing 787 aircrafts to the fleet.

e) Other Rental and Landing Fees fell US\$ 217,412 thousand, largely due to lower costs coming from aviation fees and aircraft rentals, resulting from the decreased cargo operations and the depreciation of local currencies.

f) Passenger services decreased US\$ 4,886 thousand, which represents a 1.6% variation, mainly explained by higher baggage insurance recoveries and the depreciation of local currencies. The latter was partially offset by higher costs related to the content of the onboard entertainment system.

g) Aircraft rentals grew US\$ 3,750 thousand, mainly explained by the incorporation of seven aircrafts from the Airbus A320 family and four aircrafts from the Boeing 787 family. The latter is partially offset by the refund of four aircrafts from the Airbus A320 family, three aircrafts from the Airbus A330 family and five aircrafts Bombardier Dhc8-200.

h) Aircraft maintenance decreased US\$ 15,496 thousand, equivalent to a variation of 3.4%, mainly due to the efficiencies gained on feet renovation.

i) Other operating expenses declined US\$ 198,977 thousand, mainly due to the prescription of tax contingencies in Brazil. Additionally, costs related to the sales network and marketing also decreased in the period.

Financial income reached US\$ 75,080 thousand, which compared to the US\$ 90,500 thousand accounted in 2014, represented lower income of US\$ 15,420 thousand mainly explained by the change in the value of the bonds investments in Argentina of the Company.

Financial expenses decreased 3.9%, amounting to US\$ 413,357 thousand as of December 2015, mainly due to the recognition in the first quarter of 2014 of the cost related to the sale of four aircrafts B777.

Other income/ expenses accounted a negative result of US\$ 532,757 thousand, mainly explained by the losses recognition in TAM results related to the depreciation of the Brazilian reais in 2015.

The main items of the Consolidated Financial Results of TAM S.A. and Subsidiaries, that explain a loss of US\$ 395,446 thousand for exchange rate differences in the last quarter of 2015, are the following: other financial liabilities, accounted a loss of US\$ 499,092 thousand related to loans and financial leases on the fleet acquisition denominated in US dollars; and other items of net assets and liabilities recorded a loss of US\$ 190,717 thousand, which was offset by the exchange difference of related companies accounts receivables, that accounted a gain of US\$ 294,363 thousand.

Multiplus S.A. Results

Multiplus Net Results as of December 2015 was a gain of US\$ 136,765 thousand, which compared to the US\$ 144,361 thousand of 2014, showed a 5,3% decrease.

Income dropped 11.4%, mainly explained by the effect of the depreciation of the Brazilian reais of 41.6%, partially offset by the 7.1% growth of points' redemptions.

Operating costs fell 11.4%, mainly due to the depreciation of Brazilian reais, and partially offset by the 3.9% increase in the points' redemptions of flight tickets and the 25.0% growth of points' redemptions at stores affiliated to the program.

Financial income/ costs showed a negative variation of 73.2%, mainly due to the depreciation of the Brazilian reais, partially compensated by cash deposits of part of the Company's cash in instruments with coverage to the US dollar.

3. Analysis and Description of Consolidated Cash Flow originated by Operational, Investment and Financing Activities

Operational cash flow showed a positive variation of US\$ 384,036 thousand, compared to the previous year, due to the declines in the following items: payment to suppliers for good and services of US\$ 1,793,425 thousand; net effect of other charges and payments for operating activities of US\$ 168,343 thousand; payments to and on behalf of employees of US\$ 268,468 thousand; growth of income taxed paid of US\$ 50,426 thousand; increase of interest gained of al US\$31,785 thousand and other cash inflows (outflows) of US\$ 67,030 thousand due to higher cash flows coming from fuel derivative contracts performed by the Company, and the constitution of collaterals for derivatives margins and payments to compensate the active and passive positions at the contracts maturities' dates, and the increase of the constitution of collaterals for judicial deposits mainly executed in TAM S.A. and Subsidiaries.

The overall positive variation of the aforementioned items was largely offset by the decrease of receivables from the sale of goods and services of US\$ 1,995,441 thousand.

Investment cash flow showed a negative variation of US\$ 839,964 thousand compared to the previous year, which is mainly explained by: the decrease of income from the sale of property, plant and equipment of US\$ 507,149 thousand (mainly originated by the sale of four Boeing 777 aircrafts for US\$ 510,482 thousand in 2014 and in 2015 the Company sold three Airbus A340 aircrafts, seven Bombardier aircrafts and two Airbus A319 aircrafts for US\$ 39,804 thousand); acquisitions of property, plant and equipment for US\$ 129,304 thousand, and other collections and payments for the equity sales or debt instruments of other entities for US\$ 234,369 thousand, which incorporates the fluctuation of the investments of TAM S.A. and Subsidiaries in private investment funds and investments made in bonds of subsidiaries in Argentina. The negative variation of the items described above, was offset by the net increase of the following items: decline of other cash inflows (outflows) of US\$ 27,975 thousand (originated by the investments performed by TAM S.A. and Subsidiaries of MUS\$ 20.896 in bank time deposits compared to the recollections performed in 2014 that amounted to US\$ 20,000 thousand, that corresponded to the recovery of the loan convertible into shares in Atlantic LLP and US\$ (12,921 thousand) originated in TAM S.A. and Subsidiaries for taxes over financial operations, mainly off-shore investments) and lower intangible assets acquisitions for US\$ 3,310 thousand.

Financing cash flow showed a positive variation of US\$ 1,191,866 thousand, compared to the previous year, and it's mainly explain by the decreased loan payments of US\$ 1,051,327 thousand (this is explained by the debt related to the four Boeing 777 aircrafts sold in the first quarter of 2014) y the increase of short and long-term payments of US\$ 350.513 thousand.

The debt flows mentioned above were impacted in June, due to the issuance of the long-term unsecured bond made by the parent company that amounted to US\$ 500.000 thousand. These cash flows were used to pay the secured loans of TAM Capital 2 Inc. (subsidiary of TAM S.A) for US\$ 300.000 thousand.

Financial leases payments also decreased to US\$ 51,517 thousand. The items that experienced negative variations in the financing cash flow in part offset the positive variations of the items mentioned above, such as: other cash inflows (outflows) for US\$ 85,980 thousand due to the lower financing for aircrafts advances and cash coming from equity issuance of US\$ 156,321 thousand, mainly in the parent company, which is explained by to the fact that in 2015 there was no capital

increase, compared to the previous year; interest payment of US\$ 14,859 thousand, and payments for the stock acquisition or redemption of the Company of US\$ 4,661 thousand.

Finally, net flow of the Company as of December 31, 2015 experienced a positive variation of US\$ 759,608 thousand, compared to the previous year.

4. Financial Risk Analysis

The objective of the global risk management program of the Company is to minimize the adverse effects of financial risks that impact the Company.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market risk factors, such as: (i) fuel price risk, (ii) interest rate risk, and (iii) local exchange rate risk.

(i) Fuel price risk

The Company acquires Jet Fuel 54 USGC degree, which is subject to fluctuations of fuel international prices.

To cover the fuel risk exposure, the Company contracts derivative instruments (swaps and options) whose underlying assets may be different to Jet Fuel, and it's possible to perform fuel hedging in West Texas Intermediate ("WTI") fuel, Brent ("BRENT") fuel and Heating Oil ("HO") distilled, all of them have high correlation to Jet Fuel and are more liquid.

As of December 31, 2015, the Company recognized losses of US\$ 239,410 thousand of fuel hedging net of allowances. Part of the differences generated by the lesser or greater market values of these contracts were recognized as coverage reserve components of the Company's net equity. As of December 31, 2015, the market value of the outstanding contracts was US\$ 56,423 thousand (negative).

(ii) Exchange rate risk

US dollar is the functional currency and the currency used for the Financial Statements of the Parent Company, therefore the transactional and conversion exchange rate risk arises from the operational activities of the business, and the strategic and accounting activities of the Company, which are denominated in a currency different than the functional currency.

Likewise, TAM S.A. and LATAM Subsidiaries are also exposed to exchange rate risk whose impact affects the Consolidated Result of the Company.

The largest exchange rate risk exposure of LATAM comes from the business concentration in Brazil, which is mostly denominated in Brazilian reais (BRL), being actively managed by the Company.

Additionally, the Company manages the exposition to operational revenues denominated in Euro (EUR) and British pound (GBP).

The Company mitigates the exchange risk exposure through derivative instruments contracts or through natural hedging or the execution of internal operations.

As of December 31, 2015, the market value of FX positions amounted to US\$ 7,972 thousand (positive).

The Company has arranged cross currency swaps contracts with the objective of dollarize the cash flow of the obligation contracted in Chilean *Unidades de Fomento*, that bears interest at a fixed rate. This financial instrument enables the Company to pay a floating interest rate, which bears interests over LIBOR plus a fixed spread. As of December 31, 2015 the market value of CCS amounted to US\$ 50,230 thousand (negative).

(iii) Interest rate risk

The Company is exposed to interest rate fluctuations of the markets thus affecting future and current cash flows of financial assets and liabilities.

The Company is mainly exposed to the London Inter Bank Offer Rate ("LIBOR").

With the objective of decreasing the risk of a potential raising trend of interest rates, the Company arranged interest rates swaps and options contracts. In relation to these contracts, the Company pays, receives, or only receives depending on the case, the difference between the agreed fix rate and the floating rate calculated over outstanding capital of each contract. The Company recognized in the period a loss of US\$ 34,957 thousand for these contracts. Interest rate swap gains and losses together with the allowances and gains on interest rates call options are recognized as a component of the financial interest over the amortization base of the loan covered. As of December 31, 2015, the market value of outstanding swaps and interest rate call contracts was US\$ 39,753 thousand (negative).

As of December 31, 2015, approximately 71% of the debt was contracted at fixed rate or fixed with some of the instruments mentioned above. The average rate of the Company's outstanding debt is 3.91%.

(b) Credit risk concentration

Accounts receivables of the Company largely come from the sale of flight tickets; cargo service to individuals and various companies that are scattered economically and geographically, and mostly are short-term receivables. Accordingly, the Company isn't exposed to an important credit risk concentration.

5. Economic environment

To analyze the economic environment where the Company develops its business, we briefly explain below the situation and evolution of the main relevant economies, in the national, regional and global context.

Global growth has been discrete due to divergent expectations between emerging and developed economies. Factors that support this situation are the slowdown of the Chinese economy, the declining prices of commodities and the tightening of United States' monetary policy. For 2015, global forecasted growth is nearly 3.1% (3.4% in 2014).

The European economy has been growing slowly but steadily. Factors such as exchange rate depreciation and internal demand growth have promoted this stability. Nevertheless, there are negative threats such as the situations in Greece, Portugal and the refugees' crisis in Central and Eastern Europe. For 2015, forecasted growth is nearly 1.5% (0.8% in 2014).

United States' growth has been moderate, mainly explained by the lower global economic growth, lower commodities' prices and the risk generated by the situation in China. On the other hand, growth is sustained by internal consumption, which is explained by causes such as the stabilization on the debt to household income relation and the improvements in the labor market. For 2015, forecasted growth is nearly 2.5% (2.4% in 2014).

In Latin America the economic situation has not showed signs of recovery, mainly due to the fall of export commodities' prices, weakening of confidence indicators in the region, inflation and the economic slowdown in China. For 2015, forecasted growth is nearly -0.3% (1.3% in 2014).

The Brazilian economy is still sluggish mainly due to the decline of investors' levels of confidence, a longer and deeper recession than expected, higher inflation and a strong depreciation of the Brazilian reais versus US dollar. For 2015, forecasted growth is nearly -3.8% (0.1% in 2014).

In Chile, expectations are focused on lower growth rates, mainly explained by the slowdown of global economic growth and exports' decrease. However, signs of improvement in job creation, more stable inflation levels and business confidence that stopped its falling trend offset these expectations. For 2015, forecasted growth is nearly 2.1% (1.9% in 2014).

Taking into account this economic environment, the flexibility of the business model carried out by the Company is key to cope with economic challenges in better conditions.

6. a) Main financial indicators of the Consolidated Statement of Financial Position are presented below:

	12-31-2015	12-31-2014	Disposals	587,153	1,071,237
LIQUIDITY INDEXES					
Current liquidity ratio (times) (Operating current assets / Current liabilities)	0.50	0.62			
Acid test (times) (Cash/ current liabilities)	0.13	0.17			
DEBT RATIOS					
Debt ratio (times) (Current liabilities + non-current liabilities / Net equity)	5.31	3.63			
Current debt / Total debt (%)	37.20	36.48			
Non-current debt / Total debt (%)	62.80	63.52			
Interest rate coverage (R.A.I.I. / financial expenses)	0.06	1.19			
ACTIVITY RATIOS					
Total Assets	18,101,418	20,484,428			
Investments	1,533,637	1,389,373			

PROFITABILITY RATIOS

Profitability ratios have been calculated over equity and net income attributable to controlling shareholders.

	12-31-2015	12-31-2014
Return on equity (Net income / Average net equity)	-0.06	-0.02
Return on assets (Net income / Average assets)	-0.01	-0.01
Return on operating assets (Net income / Average operating assets (**))	-0.01	-0.01

(**) Total assets minus deferred taxes, current account of employees, permanent and temporary investments, and capital gains.

	12-31-2015	12-31-2014
Income per share (Net income / number of shares subscribed and paid)	-0.40	-0.20
Return on dividends (Paid dividends / market price)	0.00	0.00

INCOME STATEMENT RESULTS

b) The main financial ratios of the Consolidated Income Statement are the following:

	Period ended on December 31,	
	<u>2015</u>	<u>2014</u>
	US\$ thousand	US\$ thousand
Operating Revenues	10,125,826	12,471,146
Passengers	8,410,614	10,380,122
Cargo	1,329,431	1,713,379
Other	385,781	377,645
Operating Costs	(9,611,907)	(11,957,780)
Wages and benefits	(2,072,805)	(2,350,102)
Aircraft fuel	(2,651,067)	(4,167,030)
Commissions to Agents	(302,774)	(365,508)
Depreciation and amortization	(934,406)	(991,264)
Other rental and landing fees	(1,109,826)	(1,327,238)
Passengers services	(295,439)	(300,325)
Aircraft rentals	(525,134)	(521,384)
Maintenance	(437,235)	(452,731)
Other operating expenses	(1,283,221)	(1,482,198)
Operating income	513,919	513,366
Operating Margin	5.1%	4.1%
Interest income	75,080	90,500
Interest expense	(413,357)	(430,034)
Other income / costs	(532,757)	(108,599)

Income before taxes	(357,115)	65,233
Income taxes	178,383	(142,194)
Profit / loss before minority interest	(178,732)	(76,961)
Attributable to:		
Controlling shareholders	(219,274)	(109,790)
Minority interest	40,542	32,829
Net Profit/Loss	(219,274)	(109,790)
<i>Net Margin</i>	<i>-2.2%</i>	<i>-0.9%</i>
<i>Effective tax rate</i>	<i>44.9%</i>	<i>438.8%</i>
Total Shares	545,547,819	545,547,819
Earnings per share (US\$)	-0.40193	-0.20125
EBITDAR	875,026	1,363,202

SWORN STATEMENT

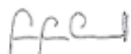
As Directors and Chief Financial Officer of LATAM Airlines Group, we declare under our responsibility on the veracity of the information contain in the Annual Report 2015.



Mauricio Rollin Amaro
Presidente



Ramiro Colan Kadis
Director



Jean José Cueto Plaza
Director



Gerardo Jofre Miranda
Director



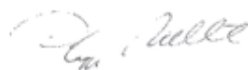
Francisco León López
Director



Ricardo Caballero
Director



Carlos Heller Solari
Director



Henry Philippe Reichstul
Director



Georges De Soergel von Arnst
Director



Andrés Osorio Hermanson
Vicepresidente Senior Finanzas

